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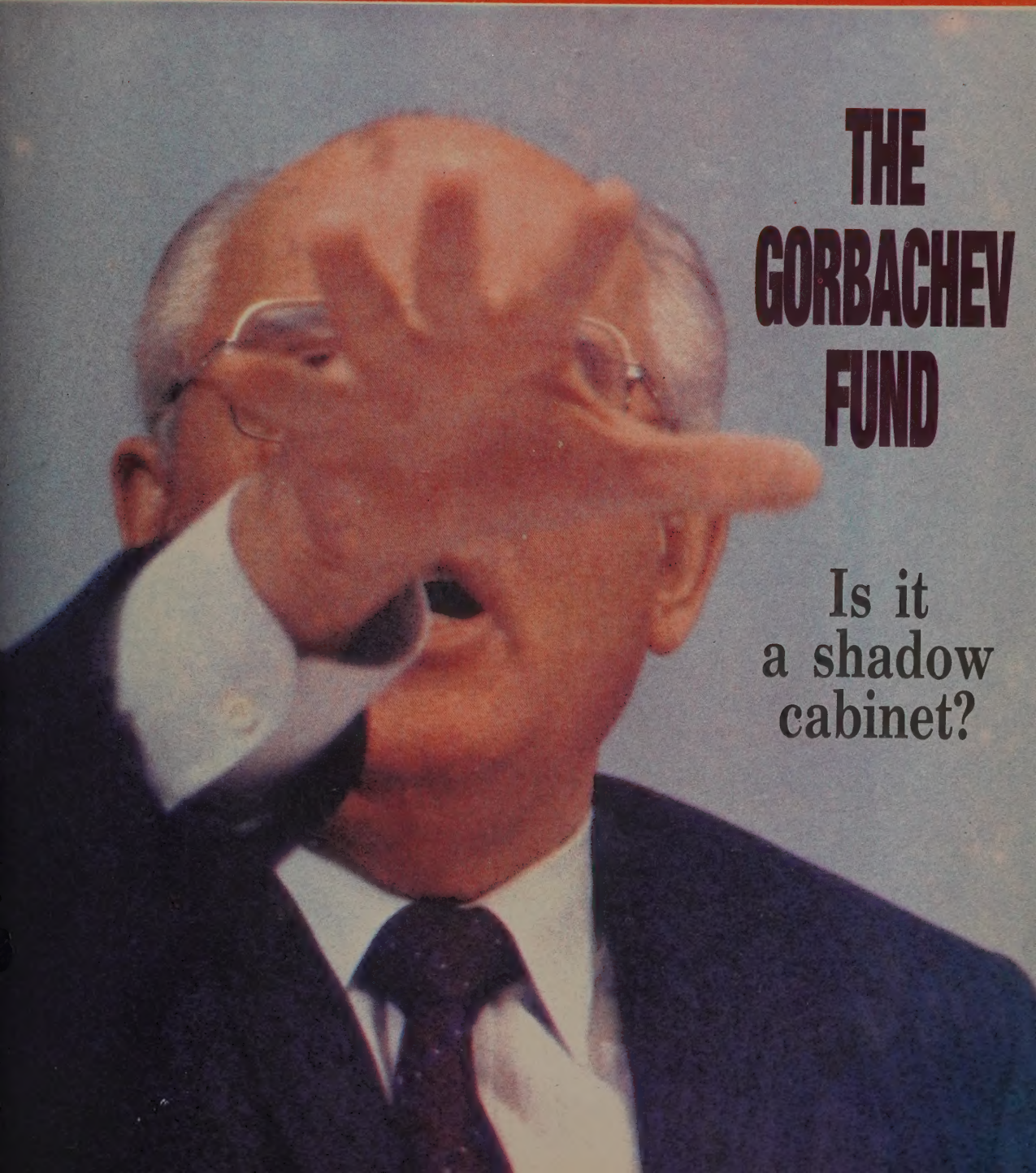

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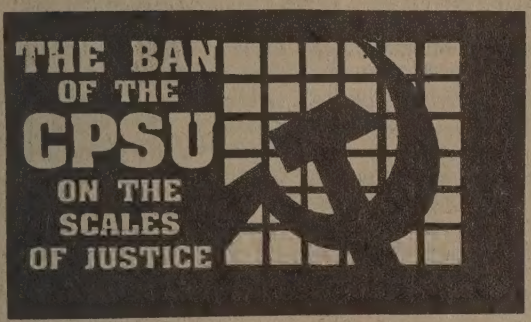
23/92 NEW TIMES JUNE
INTERNATIONAL

POLITICS

TRENDS
V.Kulistikov
THE RUSSIAN GOVERNMENT NEEDS WESTERN CREDITS AND THE WEST, RUSSIAN OIL AND GAS. WILL THOSE WHO WON'T GET ANYTHING KEEP QUIET? 3

POLITICAL LIFE
M.Shakina
WHO IS AFRAID OF THE CPSU? 4

4



INGUSHETIA
G.Kovalskaya
A REPUBLIC WITHOUT BORDERS AND A CAPITAL 6

OBSERVER'S VIEW
D.Volsky
THE DNIESTER REGION IN THE "ARC OF INSTABILITY" 8

8

COVER STORY
V.Sidenko
ON THE GORBACHEV FUND AND OTHER MATTERS 10

Cover photo by Dmitry Donskoi

DOSSIER
REGULATIONS ON THE ISSUE AND CIRCULATION OF SECURITIES AND ON STOCK EXCHANGES IN RUSSIA 15

ECONOMICS

OPINION
Yu.Kudimov
HOW SHALL WE STRENGTHEN THE RUBLE AND ALL THE REST 20

IDEAS AND EXPERIENCE
V.Sudarev
MANY OPENINGS FOR ADVANTAGEOUS COOPERATION 22

INTERNATIONAL

RUSSIA–JAPAN
V.Yeremin
MOSCOW WON'T HAVE TO MAKE CONCESSIONS 25

RUSSIA–SOUTH AFRICA
N.Reshetnyak
COMPETITORS AND PARTNERS 26

26

MANUSCRIPTS
Ye.Trubetskoi
REVOLUTION AND PATRIOTISM 30

LETTERS (2), **THIS WEEK** (9), **OUTLOOK** (24), **PEOPLE** (28)

The thorny path to the truth

Now that communist narrow-mindedness gives way to the bitter perception of truth, it becomes evident that there is no crime committed by the Nazis which could not be compared to a similar crime by communist leaders. The only difference is that the Nazi dictatorship in Germany lasted less than 15 years whereas the communist dictatorship managed to last more than 70 years, causing much more damage to the country. To mention only one example: Stalin destroyed millions of Russian peasants. It is a loss that the country has been unable to compensate for up to this day.

Kurt Nagel, engineer
Dresden

The sellers of air

I have talked to many residents of the Kuril islands. The people are scared there – not by the Japanese but by local authorities! The administration of the islands which is resolutely opposed to making any concessions to Japan threatens to introduce customs duties if the residents of the islands refuse to support the governor of the region. People would have to leave everything they earned if they go to the mainland. The majority of the islands' population work on a contractual basis there (as they do in the Far North of our country) and, having raised some money, they try to leave for the mainland.

When I hear the governor of Sakhalin promising to turn it into a second Kuwait where foreigners will work and the local residents will sit back and prosper, I come to the conclusion that there are enough schemers in our country.

S.Romashov
Magadan Region

The pride of Russians

The article by A.Alayev "On the national pride of Russians and others" (*NT* No. 18/92) contains many rational ideas, although it leaves room for objections.

The author denies the right of the Russian people to national pride, referring to Christian precepts. But we live in a secular state; besides, pride is not the same thing as presumption or arrogance. History cannot be written anew. Russia is a reality, so why can't I, as a Russian, be proud of this historical entity? I am proud that I am Russian. History has used the Russian people as its instrument, yet this people haven't become a people of masters, their situation has been more or less the same as that of other peoples. So what are these people to blame for?

Arnold Anuchkin-Timofeyev
Moscow

Why has God punished us...

Stop posing as God knows what. Our only argument in favour of calling ourselves a "great nation" is that of being the first to have flied to the Cosmos. I insist: the Russians flew to the Cosmos, using rockets stolen from the Germans. They have stolen the secrets of missile-building (which is a sin from the point of view of Christian ethics), but even this has brought us no good – we are still almost naked and hungry.

THE WAY I SEE IT

Drawing by Valentin Mokievsky

There are no and there can't be great nations. There are only God-pleasing persons chosen by God.

Hitler wanted to create a great Germany, but was punished. The Germans are a bit cleverer than the Russians, they repented. But the Russians don't want to understand anything. God has severely punished Russia, having deprived it of reason.

N.Potapov
Bashkiria

How to become a Stalinist

As a homo sapiens, I understand that no "achievements of the people's economy" are worth one destroyed human life. I am ready to give up my liver for raising "the father of peoples" (Stalin) from the dead in order to publicly quarter him. Yet when I see the insolent eyes of tradesmen selling for exorbitant prices goods manufactured by state-owned enterprises, while there is a shortage of the most common medicines in hospitals, or a field officer selling his uniform with all insignia, when I hear the empty twaddle and nonsensical gibberish in Parliament, when I watch a young girl of ten studying the "positions" in a dirty book, I become a Stalinist.

Yury Livshits, Commander (Rtd)
Kaliningrad Region

What we need now is a monarch

I watch with interest the developments in Spain, because even the Russian historian Solovyov found something in common in the historical evolution of our two countries. After the totalitarian regime of Franco crashed, King Juan Carlos, a very wise person whom I like very much, came to power. He legalized all political parties, but reserved the final say for himself – you guys may indulge in disputes, but don't be too zealous, or else I'll teach you what's right and what's wrong! What we need now is a monarch like that.

Unsigned
Mias, Chelyabinsk Region

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The Russian government needs Western credits and the West, Russian oil and gas. Will those who won't get anything keep quiet?

Late in May the Ministry of Fuel and Power received from the World Bank a document, entitled "The Political Framework for Receiving Credit." It contained five main provisions for financing the Russian Cabinet: 1. The raising of prices for energy carriers up to the world level within two years (they don't exceed 10 percent of world prices currently). 2. The reduction of the tax rate on energy carriers. 3. Introduction of the right to ownership of natural resources to attract investments from the private sector. 4. Redistribution of control over oil mining between the government and private capital to promote commercialization of this industry. 5. Making the promising deposits of oil and gas open to world market bidding.

The document was not made public in anticipation of the fuss the national-communist wing would make in view of the obvious Western dictate and claims to the most precious national wealth, natural resources, which Lenin made the "public property" for the eternity. The weakness of the Cabinet's position is that it is unable to clearly explain what it is receiving in return for concessions to the West. The problem is that for the time being the infiltration of foreign capital into Russia, very moderate, by the way – only 1 billion dollars of direct investments by June of this year – leads to prosperity for very few, for those who were quite well off under communists as well, i.e., bureaucrats who have moved to commercial structures or who, in defiance of the law, overlap state service and business. "Shady deals" concluded by means of bribes and involving an outright squandering of natural resources are common in Russian-Western commerce. The result is hardly inspiring: the export of home-made capital abroad (according to some assessments, up to 20 billion dollars are annually deposited in American and Swiss banks), and the growing polarization of society, where there are 100,000 have-nots for every happy owner of a Mercedes or a Volvo. Such are the conditions in which the World Bank demands actually handing over control of the only valuable export industry to it!

Judging by the philosophy of the government's policy, the Cabinet will make these concessions. All its plans rest on Western aid; if it is not extended in full, the government will be unable to do anything. Yet it's no less risky to unreservedly make concessions to the West than it is for the West to unconditionally demand concessions. The mechanism of integration, which is expected to be activated by these concessions with a view to binding Russia to the world political and economic structures, has one radical disadvantage – it not only fails to stimulate Russia's internal forces aspiring for such integration, but on the contrary, turns them into a "fifth column" of a sort which may be conveniently accused of betraying national interests. Such is the situation, full of dramatic paradoxes, in which young Russian business, whose demands are completely ignored by the government in the latter's dialogue with the West, finds itself. And the paradox is that Russia's first capitalist government has an opposition in the person of the country's own capitalists, who are urged to side with nationalists because of the never-ending infringement on their interests.

Take this same oil and gas industry again. Experts convincingly demonstrate that Russia already has the capital sufficient for raising it from socialist ruins. The Cabinet can't prove the opposite, at least because it has never given domestic capitalists a chance. As a result, the development of capitalism in Russia is impeded – domestic entrepreneurs are actively removed from participation in the most promising projects, priority being given to foreigners. This also impairs the process of the country's integration into the world economy, because every step in that direction meets more opposition than support.

The trouble is that the swollen Russian bureaucracy engages, as before, in matters which are not its province, i.e., entrepreneurship. Profits derived from that occupation are the last privilege Russian bureaucracy is going to concede. How many social conflicts could have been avoided if foreign capital had entered the local market in partnership not with corrupt bureaucracy, but with domestic capitalists! At least there would be no grounds for wondering why there is three times as much foreign investment in Hungary, whose population is less than Moscow's, than in all of Russia.

Vladimir Kulistikov

Who is afraid of the CPSU?

What did the Communists hope for when petitioning for verification of constitutionality of presidential decrees on the CPSU? It was clear then, just as it is clear now, that it would only result in a trial of the CPSU

The Constitutional Court's first sitting – it was to verify the constitutionality of the Russian President's edict to suspend the activities of the CPSU and the Russian Federation Communist Party, look into these activities and also investigate the CPSU's property – took just one day, as merely the prelude to a process which has already been qualified as epoch-making.

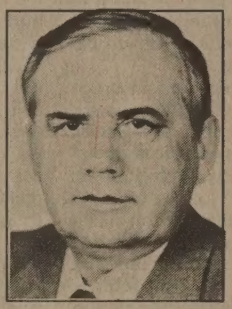
Many legal experts consider the President's decrees juridically vulnerable. The staunchest advocates of unreserved abidance by law urged their rescindment. While that is all very true, should the court find the edicts unconstitutional, it will pave the way for the CPSU's restoration, which makes one feel very uncomfortable. Indeed, something prevents one from agreeing with reasoning of that order.

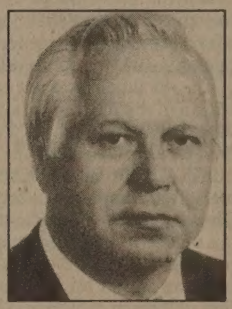
The paradox is that if the court does take that decision, it may, while faultless in the eyes of the law, spell a move not towards a law-governed state, but back to the "bright" past. The CPSU hails from the times of lawlessness, indeed it is not only of that epoch, but it is its very backbone, its substance, its quintessence. What, to bring it back today, be it even not the CPSU of before, but one cleansed, rectified and complemented? Our unique historical experience tells us that the CPSU spells a totalitarian regime.

The said paradox may be avoided only by demonstrating that the CPSU has no place in civilized society. The Constitutional Court was thus faced with one more petition from MP Oleg Rumyantsev, demanding that the constitutionality of the CPSU itself be verified. Seven days later, his appeal was backed by another 51 MPs. Upon which the Court ruled that this second appeal should be viewed as partnering the first and that the two should be considered conjointly.

Party plenary meetings advocated

No wonder passions ran high at the Court's first sitting. However, as it is now impossible to change the Court ruling, the controversy raged around the issue as to who would represent the CPSU. Whereas from the angle of the first appeal the two sides are the President and the Communists who presented it, there was no clarity as concerned the second petition. On the one side you have MP Rumyantsev et al, on the other – nothing but a question mark.





Vladimir Ivashko and Valentin Kuptsov are to represent the CPSU and the Russian Federation Communist Party at the Constitutional Court hearings, which they are none too enthusiastic about. Meanwhile ex-General Secretary Mikhail Gorbachev is mum

The pigheadedness with which the men petitioning for the CPSU's restoration declined to uphold it, came as a revelation to many. "We are not empowered to do that, so first restore the party, then we shall convene a congress, hold a plenary meeting, and define our status for which purpose at least some six months will be needed," they reasoned.

If we are to take this as a tactical stratagem to delay further examination, then all we can say is that for Slobodkin et al it inflicted stupendous moral damage. True, Yuri Slobodkin is least deserving of reproach. When Sergei Shakhrai, the President's representative, said he was extremely astonished to find that not a single Communist was willing to champion his own party, it was Slobodkin who took up the challenge. He stated that as a rank-and-file party member from 1961 on, he was prepared to share the responsibility for all the party's 70 years of existence. He continued to press for that even though his co-petitioners sought to disavow his declaration, claiming that it had been prompted by feeling more than anything else. Hence, we find that the CPSU's sole staunch partisan is Yuri Slobodkin. But then where are the party bigwigs?

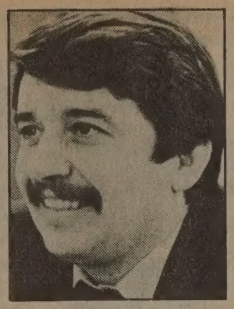
It was curious to watch Vladimir Ivashko, the CPSU's former deputy general secretary, shy from serving as a representative of this former party. He said that as an ordinary pensioner he might be arraigned for violating the Presidential Decree. He added that generally speaking, what was needed was a congress followed by a plenary meeting and the election of a politburo.

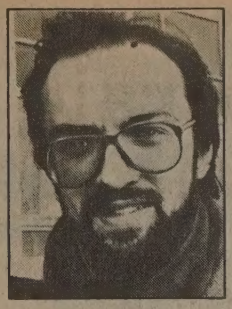
Meanwhile Valentin Kuptsov, who took over from Ivan Polozkov, and headed the Russian Federation Communist Party at the time of the issuance of the presidential decree, announced that he could render account only for the 12 days he had been at the head of this party. He also asked that it be noted that his party was not the ruling one, but an opposition party. Again, like Ivashko, he said he could not take a step without a plenary meeting. In short, these ardent advocates of plenary meetings, failed to rally to the call of "Communists forward!" Scarcely other party members watching the televised sitting have experienced any pride in their leaders.

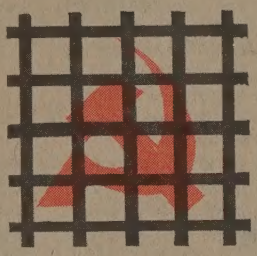
There stood before the Constitutional Court not the spiritual leaders of a political party, who had joined it and occupied key offices out of ideological conviction, but mediocre red-tapists, who sought to hedge each move by the appropriate paper. They are bureaucrats who would be only too

happy to place the responsibility at some other door, wishfully a collegiate body. These men are the CPSU's big bosses, who took such high office without being pressured into doing so. On the contrary, they sought such eminence, all to direct, govern, administer the economy, in fact, every aspect of life, but not to stand responsible for the party's activities or for the state of society. Such terms as "a plenary meeting," "co-optation," and "a political bureau" reeked of benighted nostalgia and bureaucratic rot, which was all that the CPSU amounted to by November 6, 1991.

"Do you wish to say that nobody can be held responsible for the party's activities?" the presiding judge of the Constitutional Court inquired. No substantial answer was forthcoming.







Sergei Shakhrai, the President's representative, and Oleg Rumyantsev, who applied for verification of the CPSU's constitutionality, are in harness on the opposite side

Communists themselves "sponsor" party trial

The Court proposed that Mikhail Gorbachev, Vladimir Ivashko and Valentin Kuptsov represent the CPSU at the hearings.

When Gorbachev was named, Communists had mixed feelings ranging from malice to disgust, wondering how apostate Gorbachev could represent the party when he had once urged its self-dissolution. Some Communists smugly reasoned that the party could be represented also by full members of the Political Bureau, including Boris Yeltsin. True, that was manifestly stretching the point, inasmuch as Yeltsin had achieved only alternative membership; moreover, he had not held on too long there. However, they were only too delighted to remind the President that he too had once been in the elite he was now attacking.

Both Vladimir Ivashko and Valentin Kuptsov agreed to appear. What will Mikhail Gorbachev do? Will he put in a presence to uphold the party that left him in the lurch when he was confined to Foros? Indeed, during the August putsch none of the party's top men wondered what had happened to the General Secretary or whether he was really seriously ill. Meanwhile the Russian Federation Communmist Party, which was then merely a regional branch of the CPSU, resolved to back the notorious State of Emergency Committee – which decision, incidentally, was taken by the Secretariate, without any Congress, plenary meeting or session of the Politburo.

Some time ago, some radical democrats formed a pressure group for a public trial of the CPSU. Very few, though, supported the idea, as they thought it scarcely conducive to a civic consensus. All feared a public trial would develop into a search for one more enemy, if not moral terrorizing of Communists. It seemed hardly anyone had noticed when the CPSU vanished from the scene. As a result, the 19 million members of this party who comprised so immense a political force, evaporated without hardly leaving a trace.

Yet, now it was the most irreconcilable CPSU members, who in effect "sponsored" a trial of the party. The party may be banned only by a court order, which is what Slobodkin and his comrades allude to in their petition. Today a trial of the party is inevitable. This will not be a trial of its 19 million members, as has now and again been alleged, but of the party as an organization. There have already been historical precedents. The parallel drawn at the Constitutional Court's sitting between the CPSU and the German National Socialist Labour Party, which the Nuremberg trial ruled as a criminal organization, evoked sharp protest from the Communists petitioning for the rescindment of the presidential decrees.

What had they hoped for? That after the presidential edicts were rescinded there would be time for the CPSU to rally its strength and that then nobody would dare to bring it to trial? Or that developments would take a reverse course? After all,the spokesmen for the Russian Unity parliamentary bloc comprising Communists and advocates of a unitarian state are convinced that the opposition will come to power in the next 18-24 months.

The entire country is its property

Scarcely did the Communist petitioners crave to demonstrate fidelity to the letter of the law, believing that the President's decrees should be revoked as unconstitutional. Nor would one think that they sought to uphold plurality and freedom of conviction, as after all said and done, today nobody is harassed or persecuted for his convictions, the more so a Communist. Though the CPSU has gone up in smoke, the Russian Justice Ministry has already registered more than one communist or pro-communist party that has declared a spiritual affiliation with the CPSU.

Could the petitioners, on the other hand, have wanted to uphold in public the historic honour and dignity of that party of which they had been members? However, their bickering as to who should represent the CPSU at the hearings in the Constitutional Court showed that none were really prepared to do so.

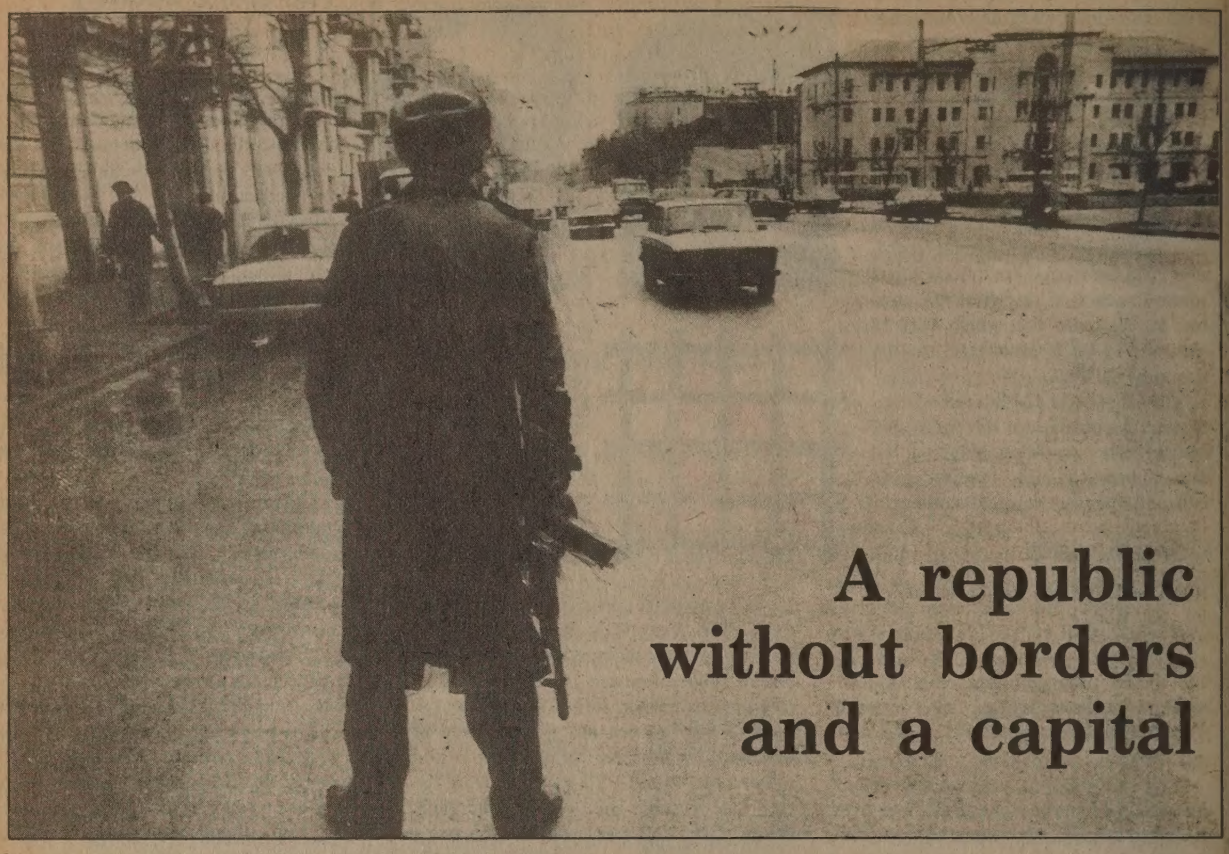
Finally, may we ask even should Yeltsin's decrees be rescinded, how could the party of a nonexistent state function in Russia?

So what do the petitioners want? They want to have really restored that same old CPSU, that all-pervasive state repressive bureaucratic octopus which not President Yeltsin, but history has consigned to oblivion. They want the resurrection of the CPSU and along with it, everything else that accompanied it, as it had been viable only in one nutritive medium, to wit, that of the totalitarianism it continued to generate without cease and wherein all of society suffocated and perished. *Perestroika* at which the Party eventually arrived and with which it is credited, actually chronicled its natural demise, as it transpired that for it reform, even merely the spirit of reform, was mortal poison.

We think, though, that the petitioners hope to regain the vast property the CPSU has lost. After all, the reckoning includes not only the billions of soft rubles and hard currency, the dachas, the health and holiday homes and the pompous edifices of the sundry party committees. That, in a figure of speech, is "peanuts." The Communists are adamantly resolved to regain the CPSU's strategic estates, that vast land once known as the Soviet Union.

Marina Shakina

ITAR-TASS photos



A republic without borders and a capital

Grozny is now the capital of the Chechen republic. The Ingushes have no capital...

Photo from the magazine Der Spiegel (Germany)

After the Chechen republic "left" Russia the Ingushes have to create their own statehood. But how can this be accomplished while part of their land remains joined to North Ossetia?

The Chechens and the Ingushes have a common ethnic name, the Vainakns. Their languages are closer to each other than Russian and Ukrainian are. There are many common surnames. The Chechens and the Ingushes look practically the same, and not only to Russians. Some believe that they are one people. However, it so happened that on the territory of the former Chechen-Ingush Autonomous Republic there exists the unrecognized Chechen republic and there live Ingushes who have no statehood of their own.

The Prigorodny District

This is the Ingushes' headache, their sore problem and their main concern. When the Ingushes returned back home from exile in 1957, they were not given back part of their land, where they had lived up to 1944. The Prigorodny (Suburban) District, where about 60 percent of all Ingushes lived before being exiled, remained in North Ossetia. Since that time the return of this land is the Ingush people's major concern.

What was Moscow's big idea in those days? Evidently, as in the case of the Crimea, it was believed that it would be wiser not to disturb these densely populated regions. Instead, the Chechen-Ingush Republic was given Russian lands in compensation. The only trouble is that those lands were the places of the Chechens' residence, while the Prigorodny District was inhabited by Ingushes. Besides, in this particular case no compensation would calm down passions – the native land, the native home and the fore-fathers' graves are of the greatest spiritual value to the Vainakhs. Continuity with the kin is too strong with them for one to expect that the coming generations of Ingushes will put up with their fathers' and grand-fathers' homes being occupied by foreigners.

In recent decades a lot has been done as if to specially incite the Ossets and the Ingushes against each other. The latter are not allowed to return to the places from which many of them were thrown out when they were only little children (even if their houses are still preserved on the territory of neighbouring North Ossetia); they are not allowed to settle in the Prigorodny District or to buy apartments there. An informal explanation has been found for that: the Ingushes are believed to be likely to retaliate against those who have occupied their homes (though now they mostly belong not to those who moved in there in 1944, and not even to their descendants).

This fear really exists, and it will last as long as this district remains a disputed territory. In this sense, the stance of the Ossetian authorities is hardly farsighted, to say the least: will the Ingushes need to have their passports registered by the local Ossetian authorities, or ask anybody's permission, should they decide to take by force what they regard as theirs?

More than a year has elapsed since the day The Law on Rehabilitation of Oppressed Peoples was adopted. Territorial rehabilitation is stipulated by Article 4 of the Law. In other words, the Prigorodny District is to be returned to the Ingushes and certain lands in the Volga Region to the Germans. The expediency of this resolution may be questioned, yet it was ap-

proved by Russia's Parliament almost unanimously.

The problem of the Prigorodny District has two aspects – the settling of the Ingushes in the houses which belong to them by right of succession and the change of the entire district's administrative status. As far as the first aspect of the problem is concerned, a solution can be easily found in spite of its seemingly dramatic character. Many Ingushes, having disregarded the authorities' opposition, returned back home – they mostly bought their own houses (it's praiseworthy that the Ingushes are willing to pay for the houses which, as they constantly repeat, belong to them by right). Some houses have no claimants – not all the kins have survived the exile.

The Ossets

How many disputed houses are there in the district? The leaders of North Ossetia, who have spent years attempting to prove the inexpediancy of changing the district's administrative status, are still unable to cite this figure. The democratically minded public in North Ossetia insists that there are about 200 such houses. "Is Russia, which considers itself the legal successor to the Union and which, consequently, is responsible, inter alia, for the deportations of 1944, unable to compensate only 200 Osset citizens for building new houses?" ask the Ossetian democrats.

Part of the Ossetian intelligentsia would prefer to confine the problem to precisely this kind of a solution, not changing the administrative status of the district. It's a reasonable logic: the rights of every individual will be observed, the houses returned, and the state borders will remain intact. Why don't the Ingushes consent to it? Why are not only political leaders, but the entire **Ingush people** including those who have never lived and will never live there, obsessed with the idea of having the Prigorodny District returned? Simply because this district is not merely a plot of land with one's dear graves and remnants of households on it, but a symbol of hurt national pride. Their national self-awareness retains the memory of the deportation, of the injustice (they were charged with high treason), of humiliation (the mountaineers were unable to defend themselves) and of the sufferings they had to live through. There won't be a complete rehabilitation if the Prigorodny District is not returned to them.

My father used to recall that, when he first came, as a student, to the city of Vladikavkaz (then Dzaudzhikau), he found only sincere sympathy with the exiled among the Ossets. "You know," he was told, "they were all simply thrown away from their houses together with their children and the elderly folks, some of whom couldn't walk. Why did they do that?" And recommended him not to go to the mountains, because those who had fled were hiding out there and robbing people, not because they were evil, but simply because they had to eat something.

My acquaintances among elderly Ossets also recall that when the rumours spread that all their neighbours had been exiled, no one had any doubt that next it would be their turn. By the way, the Prigorodny District is now inhabited mostly by people from South Ossetia – it was not so easy to dare to move into the house of one's just exiled neighbour! Although this also happened. Once I talked to an Osset who remembered that his father refused to move into the house of an exiled Ingush pointblank and how he said sharply about a neighbour of his who had agreed to: "Allah will punish him!" In fact, one misfortune after another started to befall the guy. My interlocutor's father did not rejoice at this, but used to repeat: "It couldn't have been otherwise."

In 1957 Soltan Dzarasov, a well-known economist living in Moscow now and a member of the then North Ossetian Regional CPSU Committee, suggested that North Ossetia should come out with the initiative to restore the Chechen-Ingush Republic to its former boundaries. If only he had been listened to...

The decades of territorial disputes have resulted in open mutual enmity between the two peoples. The Ingushes are nearly inclined to accuse the Ossets of the very fact of the deportation and recall Stalin's Osset origin on every occasion. At that, people from South Ossetia were induced to settle in the Prigorodny District not only by persuasion, but frequently also by direct pressure. And, finally, the residents of the district are now, for the most part, not those who had once moved into the exiled Ingushes' houses, but those who bought these houses from them or from their descendants. The injustice of these accusations offends the Ossets, and many of them repeat in answer Stalin's old nonsense about the "treason" committed by the Ingushes in the times of the World War II.

The Ingush republic

After the change of power in Georgia and as a result of the repeated assertions by Georgia's new government concerning its readiness to start negotiations with South Ossetia, the Ingushes came up with the initiative of contacts with South Ossetia. They tried to find out the prospects for South Ossetian refugees' return home. The issue is that there is a great number of South Ossetian refugees in North Ossetia. Their disastrous situation was used as an argument in disputes about the Prigorodny District – not enough land to accommodate these unfortunate ones. According to the Ingushes, it was found out that South Ossetia is eager to see its refugees back home. The greater the number of repatriates, the stronger will be the position of South Ossetia at the negotiations with the Georgian authorities. Meantime the refugees are not welcome in North Ossetia, and the tension in the region is enhanced because of their presence there.

Practically all peoples have their version of the legend of "the golden age." In the case of the Ingushes, "the golden age" is the period from 1924 to 1934, when the Ingush Autonomous Republic, with the right-bank Vladikavkaz as its capital, existed as part of Russia. Later, in 1934, this republic was merged with the Chechen Republic and the whole of Vladikavkaz was handed over to Ossetia. Many Ingushes regard the year 1934 as the beginning of repressions. The dream about "their own republic" lived on among the people, but up till very recent times it has remained precisely a dream to come true in some indefinite future when the Prigorodny District is returned...

Therefore, when in July 1991 the hastily convened in Nazrani congress of Ingush delegates of all levels declared the instituting of the Ingush republic without specifying the capital and the state borders, this produced no special impression on the people. The Third Congress of the Ingush People last autumn considered inexpedient the division of the Chechen-Ingush Republic prior to the settlement of territorial disputes with North Ossetia. The problem rapidly took on a pivotal character after General Dudayev declared a Chechen republic.

The Chechen republic declared its independence, while the Ingushes, at least judging by the results of the November referendum, would like to remain a part of Russia. They even remind, as the opportunity presents, that they, unlike the Chechens, did not take part in the anti-Russian war of resistance headed by Shamil, and consequently, their loyalty to Russia has a historical background.

However, a purely practical question has come to the fore – former power structures of the republic have been dismantled. To replace them, the Dudayev government creates what are actually new national bodies of power, and only in the territories which he considers the land of the Chechen republic. Whom are the bodies of self-government in the Ingush-populated territories to be subordinated to? Who will be responsible for their economic welfare, finances and taxation, who will enforce law and order there?

The Ingushes have territorial disputes with the Chechens, but this is a matter of a few villages which could decide their fate for themselves, after all. The main problem is the Prigorodny District.

The Ingushes wait for Russia to settle the matter and say that they believe in the triumph of justice, i.e. that Russia will return them the Prigorodny District and restore the Ingush republic. It's precisely this faith, they say, keeps them from violence.

Certainly, this problem, like any territorial dispute, is extremely complicated and has to be solved stage by stage, it can't be shunned, and it's for Russia to look for a solution. Its postponement may only embitter both sides.

Galina Kovalskaya

The Dniester Region in the "arc of instability"

Among ethnic and territorial conflicts which arose as a consequence of the disintegration of the USSR there are some which have already reached beyond the bounderies of the former Union. An example of such conflicts is the one in the Dniester Region which threatens to become the most dangerous even of them all. It is directly connected with the situation formed in the important and potentially unstable region of Eastern and Central Europe. However, Western observers seem to haven't yet fully realized this danger, probably because their attention is now drawn to another "hot spot" in the former USSR, but sooner or later they are going to feel the scorching breath of this conflict.

Every war, big or small, has its own face. The salient feature of the conflict in the Dniester Region consists first, in the real threat of external forces, primarily Romania, becoming involved in it and, second, in the multiethnic composition of this region's population, which only enhances the danger.

It is difficult to doubt the right of the Moldovans who inhabit the right bank of the Prut River, as well as of those of them who live accross the Dniester, (another big river of the region) to regard themselves as Romanians. But there, in the Dniester Region, Moldova's economically most advanced, they make slightly more than one third of the local population, the majority being Russians, Ukrainians and Jews. All of them contemplate the prospect of Moldova's reunion with Romania with growing apprehension. Although the pact of "fraternity and integration" prepared during Iliescu's visit to Kishinev last May was not signed, it has not been withdrawn form the agenda.

It's hardly by pure coincidence that shortly before Iliescu's visit one of the Romanian newspapers which is close to Presidential circles published an article asserting that Bucharest had total rights to lay claims to the Dniester Region, for it had been inhabited by Romanians "since the times of Christ." More than that, the article had references to "the expeditions by Marshal Antonescu's warriors" not only across the Prut or the Dniester, but "beyond the Dnieper and the Don."

In the meantime, appeals are voiced at public rallies in Bucharest to "expedite a million of Romanians across the Prut in order to dress our brethren's wounds." Many residents of the region still retain far from the most pleasant memories of similar expeditions since WWII. Besides, the local Moldovans do not at all applaud the prospect of becoming Romanian citizens, partly because they are afraid of losing jobs at the CIS market-oriented enterprises.

So it's obvious that the reasons for the conflict are not at all reducible to the "pro-communist sympathies" of the Dniester Republic's leaders, although a lot of talk to this effect can be heard on the river's right bank. Authorities come and go, but people stay.

The more strained the situation is and the more blood is shed on the banks of the Dniester, the better the opportunities for Russian nationalists to exert pressure on the Yeltsin government which they accuse, with references, in particular, to the situation in the region, of unwillingness to defend their compatriots in other parts of the former Union. It is not ruled out that precisely this confict is designed to be used as a pretext for a decisive counterattack on the young Russian democracy, especially if Romania becomes involved.

In addition, it would be hard, if this becomes a reality, to avoid a chain reaction from developing in the opposite direction. How would the Hungarian minority in this country behave? In particular, in Transylvania? And Hungary which intends to lean on NATO? Or Bulgaria which traditionally extends its guardianship to not only the Bulgarian diaspora, but also to the Gagauzes, baptized Turks, who, like the residents of the Dniester Region, declared a republic of their own within Moldovan state borders?

And, talking about Turkey, it's difficult to avoid a direct analogy with its being gradually pulled into the war between Armenia and Azerbaijan. And Turkey is a NATO member, at that! No great imagination is required to see that a chain of conflicts clutching at one another, so to speak, is being formed along the entire borderline of this alliance's traditional sphere of interests, i.e. along the frontier of the former USSR and the former Warsaw Pact countries. They form "a new arc of instability," to quote Zbigniew Brzezinski, with the only difference being that the famous political scientist drew his "arc" in the late 1970s for the most part along the periphery of the "civilized world." Today, it goes through its most sensitive point, nerve-knots, where wars broke out more than once – from the Caucasus and Sarajevo, through the Dniester Region and Transylvania to the Baltic coast. The question arises in this connection, whether it is by accident that two out of three newly-born Baltic republics, as if by prior arrangement, have made territorial claims to Russia?

It's an error to call the consequences of a possible chain reaction in this "arc" unpredictable. They may be unpredictable only in details; it's quite obvious on the whole that its sparks could spread in all directions, stirring up anarchy and chaos, up to the reappearence of a new nuclear threat that won't seem so improbable if one remembers that Ukraine, which is located in this same "arc," has declared itself "a temporarily nuclear power."

It's only quite natural that under such conditions a particularly responsible and balanced policy will be needed not only on the latter's part, but also on the part of Russia. The same, of course, applies to its neighbours. It's comforting though that a quadripartite commission is working in the region, trying to stabilize the situation although it could be more efficient. It's hardly wise for the West to stay away from searches for a political settlement of the conflict in the Dniester Region, at least for reasons of its own security. The efficiency of the efforts by Western diplomacy would have been greater if it had succeeded in establishing cooperation with the already active quadripartite commission.

Dmitry Volsky

THIS WEEK

Russian President Boris Yeltsin, proceeding with his current practice of going out on working visits throughout the country each month, has now visited the Altai Territory and Buryatia. While there, he called for the collection of signatures for a nationwide referendum on a new constitution and private land ownership, believing there to be no alternative.

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At its constituent conference in Moscow, a new political party, calling itself the Renovation Association, whose membership includes factory managers, major entrepreneurs, local governors and prominent scientists, declared that it would be a middle-of-the-way party, would avoid populism, and pursue a policy of construction, not destruction. It is to be financed by Arkady Volsky's Russian Alliance of Industrialists and Businessmen, which the new party incorporates.

* * *

Russia's parliament will soon hear President Yeltsin's report on the implementation of the decisions of the 6th Congress of People's Deputies, as well as a government communication as to fuel price hikes and a report on the activities of the Central Bank, of which it is largely critical.

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Russia and Uzbekistan have signed a treaty specifying the fundamentals of friendship, cooperation and bilateral relations. Covered are politics, economics, culture, and military aspects.

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Russia and Georgia have held successful tentative negotiations on the future of the Black Sea Fleet. Discussed was the transfer to Georgia of part of this fleet. A Russian troop pullout from Georgia is to be negotiated.

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Thanks to field commanders agreeing to a cease-fire without politicians' help, a lull is to be observed in Moldavia's Dniester theatre of hostilities.

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Talks in Simferopol between Crimean and Ukrainian MPs were more reminiscent of cross-talk, as when the Kiev MPs began to speak Ukrainian, the Crimeans walked out.

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Russia has subscribed to UN sanctions against Serbia.

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Russian Defence Minister Grachev says his country's new military concept is based on mobile perimetre-length defence envisaging the formation of a rapid deployment force. The new doctrine will be implemented in three stages up to the year 2000.

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Turkish Prime Minister Demirel has visited Nakhichevan in connection with the Azerbaijan Independence Day celebrations there.

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The situation in Georgia has gone from bad to worse, now that Ossetia has terminated the gas flow from Russia and ex-President Gamsakhurdia's supporters are more active. All enterprises using natural gas have closed. Very little bread is baked, primarily by means of the little gas coming in from Azerbaijan.

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Field commanders on either side in the Dniester Region conflict allege that partisan detachments are now fighting Dniester guardsmen, thus rupturing accords achieved.

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Azerbaijan's acting President Gambarov has allowed the police to frisk citizens and search homes and transport without prosecuting attorney's sanctions, all because there are too many unregistered firearms in the population's possession. Meanwhile the Interior Minister has ordered the use of firearms should armed resistance be offered.

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A congress of the Moldavian people of the Dniester Region has proclaimed that region's independence and has called on Russia and Ukraine to recognize this new republic, whose independence and sovereignty were supported by 770 delegates from the left bank's national majority.

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Now that the Chernobyl's last functioning reactor has been cooled, this plant is no longer in operation.

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At working consultations outside Moscow, the Russian and Chechen teams of experts got nowhere. While Chechen insists on immediate full independent statehood, Russia proposes a federative treaty offering the broadest powers to Chechen. Negotiations are to be continued.

* * *

At his latest press briefing, General Vyacheslav Trubnikov, First Vice-Director of Russia's intelligence service, said Russian spy rings were being closed down in dozens of countries and that three out of every ten intelligence officers were already back home. The central staff was likewise to be reduced. He said his agency sought cooperation with opposite numbers elsewhere, had already established good contacts in the effort to combat narcobusiness and organized crime, and in elucidating links between local and foreign mafias. This, he said, was all part of the job Russia's external intelligence service had to perform.

* * *

Hardly anyone can resist the temptation to drop in at the shop with an intriguing name, "Goods from Paris," at Magnitogorsk's central market place. That is exactly what the shop's owners had counted on. On sale there is butter, sour cream and cottage cheese, all coming from the local state farm on whose territory is located an old Russian village called Paris.

On the Gorbachev Fund and other matters

such as the President's trip to the United States, which did take place,
and the buying of a mansion in Florida, which didn't,
and his memoires which are due to appear...
On all these things dwells ALEXANDER LIKHOTAL, Mikhail Gorbachev's political adviser and the head of the Fund's press service, in his interview with a *New Times International* correspondent

Alexander Alexandrovich, to begin with, please, a few words about the history of the creation of the Gorbachev Fund. By the way, what's its full title?

Officially it is called the International Foundation for Socio-Economic and Political Studies, the Gorbachev Fund. Since the full title is a bit too long, colloquially we have reduced it to the Gorbachev Fund. Incidentally, this abbreviation, G.F., is found on the Fund's emblem which is a schematic picture of the globe symbolizing the international character of our organization's activity.

Now about its background. A few sentences will be enough to describe it. It was decided last December to establish it, and in February the Fund was registered by the Ministry of Justice of the former RSFSR.

Who was its founder?

Russia's national branch of the International Foundation for the Survival and Development of Humanity, the Foreign Policy Association, the Fund for Economic and Social Reforms, and the Russian citizens Mikhail Gorbachev, Grigory Revenko and Alexander Yakovlev.

Did the registration go smoothly?

Absolutely. Why should there be any problems? Two presidents, Mikhail Gorbachev and Boris Yeltsin, signed the document for the creation of the Fund. The Russian Ministry of Justice treated us in the most friendly manner.

So it was duly registered. You were given an excellent building which, to the best of my knowledge, formerly accommodated the Institute for Social Sciences of the CPSU CC. Then, in all probability, organizational work started, the Fund's structure was outlined and the personnel recruited...

Three guidelines

Not quite. First of all, the Fund's objectives, its three major guidelines were formulated.

The first is the promotion of multi-variant prognostication of developments in Russia, in the Commonwealth of Independent States and in the world as a whole. It's necessary in order to help the country find the most suitable solutions to political, social and economic problems, so as to promote the welfare of reformed Russia, its advancement and prosperity and success in democratic reforms. The aim of our research is to help our society avoid having to pay too dearly for the transition to a new political, economic and social system.

The Fund's supreme body is the Board whose composition reveals the international character of the Fund's activity. It includes such prominent public figures as Helmut Kohl, Vaclav Havel, Henry Kissinger, Giulio Andreotti, American Senator Cranston, Yasuhiro Nakasone, and others. Between the Board's meetings, the work is directed by the Executive Committee and the Fund's practical activity, by the President elected by the founders. He is assisted by two vice-presidents, Grigory Revenko and Alexander Yakovlev.

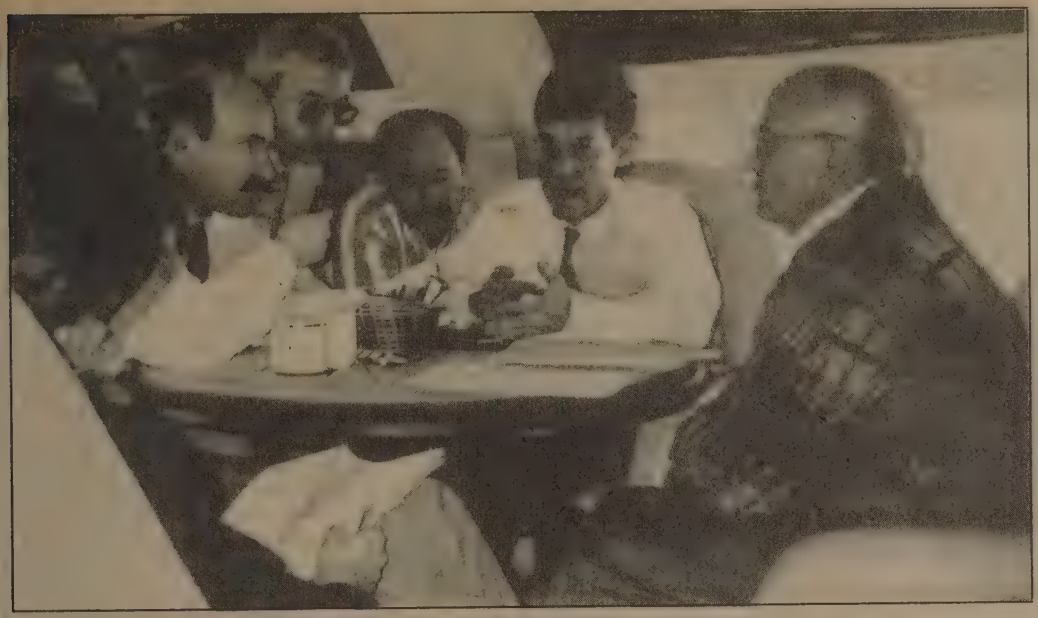
Has the Board convened already?

Not yet. According to the Charter, sessions take place once a year, and the Fund is only three months old. However, the members of the Board are in contact with one another.

"Towards a new civilization"

The second major guideline of the Fund's activity is further and thorough elaboration of the ideas of new political thinking and the study of problems connected to the world's advancement towards a new civilization.

And how pivotal, do you think, are these problems?



Gorbachev discusses his US trip with the staff of the Gorbachev Foundation/USA and the International Gorbachev Fund on board the plane. Gorbachev's interlocutor to the left: Executive Director of the Foundation Jim Garrison

Photo by A. Likhotal

Pivotal enough – it's not for nothing that the words "Towards a New Civilization" were chosen to be the motto of the Fund. If we try to look beyond our present hardships and problems and to discern the prospects for the development of mankind, the scale of these hardships won't seem so tragically immense. According to many experts in prognostication, the world community of nations is on the threshold of entering a new civilization. It will be an entirely new world with new rhythms of evolution and new forms of vital activity. Certainly the new civilization mankind is entering won't be free from problems, yet they will be quite different ones. What sort of problems? We will have to prognosticate in order to be ready for them. This is precisely the trend of the research carried out by the Fund.

And the third guideline?

The third guideline is humanitarian. At present the Fund has decided to focus its attention on the problems of child health protection. Two lines of activities have been chosen.

The first one is to fight child leucosis. This is a terrible disease. In Russia only 10 percent of children recover from it; properly speaking, it's not even recovery but a more or less prolonged remission, whereas in developed countries, this figure is 80 percent. The reason is the absence of up-to-date medicines, diagnostic equipment and expert doctors. It's unbearable to see requests for financial aid broadcast by TV in order to send a diseased child abroad for treatment, while thousands of others left to their fate are practically doomed. We intend to eventually satisfy, first Moscow's and subsequently all the rest of Russia's demand for medicines to fight leucosis.

Our final objective is to reach the level of developed countries in curing this terrible disease.

The other task of the Fund in the humanitarian sphere is to solve the problem of baby food production, which was aggravated to the extreme by the disintegration of the USSR. All factories manufacturing baby food are outside Russia. It's of primary importance now to start anew, with Western aid, the production of baby food. What we need is not to go begging or rely on supplies of food products, but manufacture ourselves these products so badly needed in Russia.

"Shadow cabinet"

Let's sum up, Alexander Alexandrovich. Do the rumours that Gorbachev's "shadow cabinet" is functioning under the guise of the Fund have any grounds?

No grounds at all, but a lot of lousy, I'd say malicious, implications. I want to emphasize one more time that the Fund is carrying out research and humanitarian activities, and nothing more. All rumours about Gorbachev's "shadow cabinet" are obviously spread by those who would like to mar Mikhail Gorbachev's reputation and instigate morbid political passions.

Unfortunately, the magazine *Newsweek* (the issue of May 18, 1992) joined the campaign, having called the Fund "a sort of government-in-exile."

Perhaps the author of this commentary has vivid imagination, or he may have been prompted by someone with ill intentions.

As far as I can see, the process of the Fund's formation has not dragged on, yet it's far from completion – three months is too short a time. Yet I would like to hear a few words about its structure.

At present six research centres are functioning under its aegis. These are: the Centre for Global Prob-

lems, the Prognostic Programmes Centre, the Centre for Socio-Economic Problems, the Centre for Social Sciences, and the Centre for Political Studies. We also have the Centre for International Contacts. The Centre for Economic Problems is being created.

We haven't lost any time. All these centres are already active and yielding results. They are very compact, being made up of six or seven scholars, but are authorized to employ, on a contractual basis, experts to develop certain concrete programmes. The forms of the centres' activity are rather diverse – conferences, including those with the participation of foreign guests, situation analyses, "round tables," seminars.

What sort of scientific products does the Fund yield? And who uses them?

The results of disputes, discussions and analyses are generalized and made into analytic reports. The most important of them are submitted to the government of Russia.

Namely to whom?

To Boris Yeltsin. A number of such reports have been sent to him.

What was his reaction?

No idea. I only know that the materials were confidential. Apart from that, we send our papers to other places too, sometimes on a reciprocal basis.

You say that the centres are actively functioning, but I found silence and a total absence of people in the building. The only person I came across there was Vadim Medvedev.

What else could you have expected? We are not a bureaucratic office where people have "to serve time." But if you want to get a concrete idea about our work, I can familiarize you with the results we managed to reach in the late May alone. A situational analysis on the topic of "The Prospects of Russia's Economic Development," a "round table" discussing the topic "New Outlines of European Security," a situational analysis with the participation of the Free World club on the topic "What is a National State?" and a Russian-American conference "Liberalism and the Prerequisites for Democracy" took place. During all that time a course on the problems in political science for a group of Russia's Democratic Party activists was held. Before that, such problems as the CIS geostrategic unity and the preservation of Russia's state unity were discussed and analyzed.

Certainly this doesn't mean that we have reached the optimum level of organization and productivity for the Fund's scientific and other activities. We plan to start a publishing business and scientific exchanges. True, we have problems with hard currency; however, many foreign scholars have already expressed their willingness to work at our Fund during their vacations and at their own expense.

The mystery of Gorbachev's "millions"

The impression is that the Fund's activities are carried out very smoothly. Have you really no problems?

I wish we hadn't, but we have quite enough. Our major problem is that our ruble and foreign currency accounts are currently freezed, as are those of many other organizations in Russia. This seriously affects the activities of the Fund – we can't buy equipment necessary for research work: computers, xerox copiers, nor can we replenish our library with up-to-date foreign publications. The implementation of joint research projects has been postponed. The same applies to foreign business trips, not to mention the fact that all of the Fund's staff, including myself, have not been paid salaries for two months, just like many of our fellow countrymen. However, we are optimistic about the future and believe that all these are temporary hardships.

By the way, where does Gorbachev keep his hard currency author's emoluments and prizes?

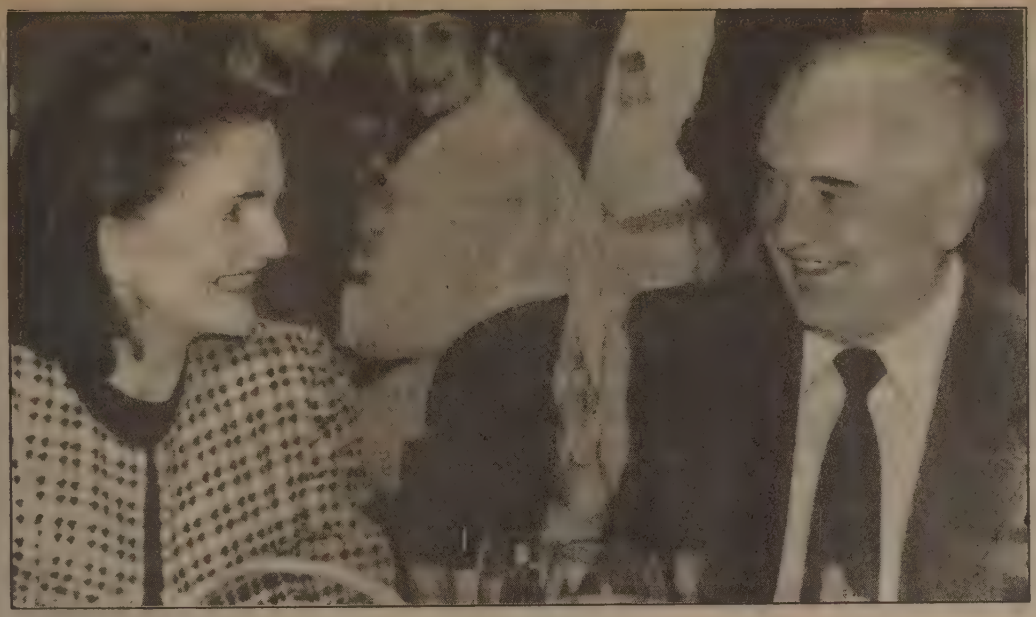
Part of them were remitted for the purposes of charity, the rest was handed over to the Fund and is kept on its foreign currency account in Vnesheconombank. Gorbachev has no foreign currency accounts either in Russia or abroad. He keeps his personal savings, just like all of us, on his account in the savings bank.

Were Mikhail Gorbachev's visits to America and Japan made within the framework of the Fund's programme?

Yes. They were completely financed by the receiving side. For instance, Gorbachev's visit to the United States in May was undertaken at the invitation of the public committee, headed by Ronald Reagan and former State Secretary George Shultz. The Committee assumed all expenses. It wasn't an entertainment trip, it was a business trip full of business contacts. Actually, it turned out to be rather productive, both from the point of view of Russia's and the Fund's interests.

The prospects are good for cooperation between the Gorbachev Fund and foundations such as McArthur, Rockefeller, Ford, Carnegie, Woodrow Wilson, the George Carter Centre, the Ronald Reagan and John Kennedy libraries. Thus Gorbachev continued the work started in Germany and Japan, where he managed to conclude agreements with large research centres, the Nakasone Peace Foundation, the Soka Gakkai Foundation, and the 21st Century Foundation.

Mutual understanding was reached with the Americans in carrying out joint programmes in such domains as disarmament, nonproliferation of nuclear arms and other weapons of mass destruction, prevention



Mikhail Gorbachev and US President John F. Kennedy's widow Jacqueline Onassis, at a breakfast in Boston

Telephoto by Reuter-TASS

and settlement of conflicts, promotion of small and medium businesses, stimulation of private investments in the CIS, fellowship programmes for young scholars and public figures, studies in the history of *perestroika,* and humanitarian activities.

Our American partneres showed a great interest in the Gorbachev Fund's initiative to promote child health service in Russia. By the way, a more than $1.8 million worth consignment of vaccines against diphtheria, tuberculosis, measles and poliomyelitis, and disposable syringes was delivered to Moscow by the plane Mikhail Gorbachev travelled. Discussions of measures to be taken in the framework of the project to help cure child leucosis in Russia took place in New York and other cities. Well-known American singers Billy Joel, Paul Simon and others expressed their readiness to join the project. It was agreed that the singers would give a large concert this autumn and hand over their proceeds to the Fund for the implementation of the project.

Nevertheless, the mass media abounds with unfriendly comments on Gorbachev's trip to the United States...

Are you surprised? Gorbachev shook up the country and infringed on the interests of powerful social groups. How elso, do you think, could he be treated by those whom he has deprived of their "feed trough," the party *apparatchiks,* for instance?

We have an entire collection of comments by the press on this trip. I would like to know your opinion about them. For instance, the *Washington Times* insists that the trip has demonstrated the loss of interest in Gorbachev by American leaders.

It's a matter of hurt feelings. This periodical is not respected because of its scandalous reputation, so they are angry at the whole world.

Well, just think: if it had really been so, why should Bush have given a dinner at the White House in his honour, with State Secretary James Baker and Reagan's Assistant for National Security Affairs, Scowcroft, present. Incidentally, the meeting lasted for three hours instead of the hour and a half as scheduled.

Jim Hoagland of *The Washington Post* insists that Gorbachev had nothing to tell the American audience and that he had failed to bring any fresh ideas.

Let him tell that to the thousands of Americans who used to come to Gorbachev's public appearances broadcast live by TV to 140 countries. The US Congress gave him standing applause when he spoke before both chambers; I don't think they were doing so in a state of hypnosis. Incidentally, Mikhail Gorbachev spoke precisely on the day when the Senate Foreign Relations Committee was to meet to discuss the question of extending aid to Russia. The Commission gave a positive solution to the matter. I do not at all intend to ascribe the merit exclusively to Mikhail Gorbachev, who focused on the problem of aid for Russia, yet I believe that he managed to convince some of the hesitant ones.

If Gorbachev had nothing new to say, would thousands of people have come to listen to him

under the scorching sun, as they did in Fulton and Stanford.

Much has been written both abroad and in this country about fabulous fees Gorbachev took for his public speeches in America.

It's sheer nonsense. The purpose of the trip was not to raise money, but there are some who prefer to make things look that way.

Then what about the million dollars remitted to the account of the Gorbachev Foundation/USA?

Gorbachev has no direct relation to this million. It was raised before – mind you, **before** the trip, and remitted to the account of the Gorbachev Foundation/USA, which is an absolutely independent, purely American organization. True, Gorbachev was authorized to dispose of this money, but exclusively for the purposes of implementing joint programmes and projects.

Much ado about nothing

And the last question, to close the theme: did or did not Mikhail Gorbachev buy a *dacha* in Florida?

This is another red herring. Do you want to know where this story came from? I conducted a special little investigation, and here is what I managed to find out. A certain Roman Liskin, resident of Kiev, when he felt an urge for entrepreneurship, decided to make money by giving mortgage credits to people who would like to buy land and real estate in the United States, although God knows what were his financial resources for this undertaking. He started a firm and got it registered in his name. It's called Romlis and has been active since May 12. Evidently its performance was rather poor, and to attract clientelle, Liskin started circulating rumours that Gorbachev had addressed him with the request to buy a *dacha* in Florida. So it's all no more than a red herring by a very unreliable and fishy businessman, whom I wouldn't recommend anyone to deal with.

"Everything lies ahead"

So much for legends and mystifications. Let's return to firm soil. Is it true that Mikhail Gorbachev writes memoires? If so, is this work carried out in the framework of the Fund?

That he writes memoires is true, but it has nothing to do with the Fund. As Gorbachev's adviser, I know a bit about how his creative process progresses. In his leisure hours the author dictates his memoires. Then the deciphered tape is committed to paper and the preliminary work over the text starts. It's carried out by a number of people. The original version as a rule can hardly be recognized after Gorbachev's final touch of editing.

And how far along has the work progressed?

So far there are 100 pages, but then, as we often joke, he hasn't yet left Stavropol.

The total volume of the manuscript is going to be...

About a thousand typewritten pages.

What period of his life will be covered by the memoires?

From his early youth up to the very recent days.

Will last August's events be included in the book?

Yes. However, this part will be considerably expanded and supplemented as compared to the book published last year.

If it's not a secret, when is it expected to be completed, and where will it be published?

The manuscript is going to be ready approximately by the end of the year. Several foreign publishers have expressed their desire to buy it. Negotiations with one of them will start in July.

Many are surprised by Gorbachev's decision to publish his book abroad first. Some think he wants hard currency, others regard it as a lack of esteem for the Russian reader.

This is not the case. Unfortunately, in Russia it's hard to find a publishing house which would undertake to publish memoires.

Even Gorbachev's?

Even Gorbachev's. Publishers are still afraid. The authorities control the supply of paper. They can cut it for some publishers and increase it for others. Yet it's a matter of profit. This is why our publishers' attitude towards memoires is rather restrained, to say the least. They are afraid of displeasing the powers-that-be. Afraid of economic sanctions.

Do you think politics are involved here?

Yes, I do...

And the last question: does the book have a title yet?

No. Only the title of the last chapter, "Everything is yet ahead."

Interviewed by
Victor Sidenko

DOSSIER

REGULATIONS

ON THE ISSUE AND CIRCULATION OF SECURITIES AND ON STOCK EXCHANGES IN RUSSIA

The regulations cover procedures for the issue and circulation of securities in Russia, and the activities of agents in the securities market to protect the interests of investors...

I. General

1. A security is a financial document certifying the right of ownership or the existence of a loan relationship between the document holder and another person who has issued such a document.

Securities may exist as independent documents or entries in accounts. For the purposes of these regulations, securities shall include documents certifying the receipt of bank credits, the entry of money into bank deposits (with the exception of bank deposition certificates), IOUs, wills, lottery tickets and insurance polices.

2. The circulation of securities shall imply their purchase and sale, and other actions provided for by the Russian Federation's legislation which result in the change of ownership of securities.

The procedure for the issue and circulation of securities in the territory of the Russian Federation shall be established by the present regulations, pending the adoption of a special Russian legislation.

3. The present regulations shall be applicable to the following kinds of securities:

– shares issued by joint-stock societies; any securities certifying their holder's ownership of part of joint-stock society's assets, the right to a part of profits and, as a rule, the right to participate in the company's management;

– bonds: any securities certifying loan relations between their owner (creditor) and the issuer of the document (debtor);

– state debentures: any securities certifying loan relations in which the state or state administration bodies act as debtors;

– secondary securities: any securities certifying the right of their owner to buy or sell the securities as specified in this point.

Shares of joint-stock societies, bonds and state debentures shall be issued in a series, comprising securities which are equal in the rights provided therein.

The Russian government may set forth procedures for the issue and circulation of state securities of the Russian Federation different from those stipulated in the present Regulations. The Ministry of Economy and Finance of the Russian Federation is authorized to give definitions and extend the sphere of application of the present regulations to other forms of securities which are not stipulated in the present Regulations.

4. These Regulations shall not apply to the shares of enterprises and work collectives issued pursuant to the Soviet Council of Ministers decree of October 15, 1988, No. 1195 "On the Issue of Securities by Enterprises and Organizations," deposit and savings certificates of banks, notes, and other settlement instruments whose issue and circulation are regulated by the laws of the Russian Federation.

II. State Registration of Securities

5. The procedure and rules for the issue of securities into circulation in the territory of the Russian Federation and their registration shall be established by the Ministry of Economy and Finance in conformity with the present Regulations.

6. Only securities officially registered with the Ministry of Economy and Finance and a properly assigned state registration number shall be issued and circulated in the territory of Russia.

7. The securities which were put into circulation by state administrative bodies of the sovereign republics, including the ex-Union republics which formed part of the USSR, emitters under their jurisdiction, and foreign emitters, may be put into circulation in the territory of the Russian Federation only following the state's registration with the RSFSR Ministry of Economy and Finance.

8. The issue of securities not officially registered with the Ministry of Economy and Finance shall be illegal and shall entail confiscation of such securities from their owners, confiscation of the proceeds from the sale of such securities from the emitter, and return to their owners.

9. The government of Russia shall establish common rules and annual quotas for the circulation, in Russia, of securities issued by the state bodies of sovereign states or former republics of the Soviet Union, the issuers under their jurisdiction, and foreign issuers.

The Ministry of Economy and Finance shall determine the procedure for putting into circulation the securities specified in the present paragraph within quotas outlined for the territory of Russia.

10. The government of Russia shall have the right to establish annual quotas for the circulation, in Russia, of securities released or proposed to be released by issuers under the jurisdiction of Russia consistent with the obligations of Russia under inter-state agreements. The procedure for putting the specified securities into circulation outside Russia shall also be determined by the Ministry of Economy and Finance.

III. Stock-market operators

11. Stock-market operators shall be the issuers of securities, investors and investment institutions.

12. An issuer of securities shall be a corporate entity, state government body, or local authority in charge of issuing securities and which can answer, on its own behalf, to obligations before owners of securities.

Issuers may be the state, state bodies, local administration bodies, enterprises and other corporate entities (including joint ventures and foreign enterprises) registered in Russia.

Sovereign states, including the constituent republics of the former USSR, corporate entities under their jurisdiction, and foreign corporate entities may act as issuers in Russia's stock market in conformity with the present Regulations.

13. An investor shall be an individual or corporate entity acquiring securities on his own behalf and at his own expense. Foreign nationals and corporate entities may act as investors in Russia's stock market as provided by the Law on Foreign Investments.

14. An investment institution may be a corporate entity established in any organizational and legal form consistent with the Russian Law on Enterprises and Business Activities. Individuals may act as investment consultants under Item 3, Article 2 of the above-mentioned law. An investment institution shall engage in transactions involving securities only as a matter of exception.

Soviet and foreign corporate entity may operate in Russia's stock market as an investment institution in accordance with common rules.

Only banks can operate as investment institutions in the stock market, in accordance with the Law on Banks and Banking in Russia.

15. An investment institution can operate in the securities market as an intermediary (financial broker), an investment consultant, an investment company, and as an investment fund.

16. The operation of an intermediary (financial broker) in the securities market shall be for the performance of intermediary (agency) functions in the purchase and sale of securities, at the expense and authorization of the client under a commission or authorization agreement.

17. The activity of an investment consultant shall consist of the rendering of consulting ser-

MOSCOW BUSINESS WEEK

DOSSIER

vices in connection with the issue and circulation of securities.

18. The activity of investment companies shall include the organization of the issue of securities and guarantees of their placement in favour of third persons, investment in securities, and the purchase and sale of securities on their own behalf and at their own expense, including the quoting of securities (the setting, in regards to particular securities, of a "seller's price" and "buyer's price," to be obligatorily complied with by investment companies over the course of the sale and purchase of securities).

Investment companies shall raise capital using only their own funds (founders' capital) and through the emission of their own securities to be distributed to corporate entities.

Investment companies shall not have the right to borrow resources from the public.

This restriction shall not apply to bank operations involving state securities.

19. The activity of an investment fund shall be to issue shares to mobilize the financial resources of investors and to invest them, on behalf of the fund, in securities, as well as in bank accounts and deposits, with all the risks attendant in such investments, all revenues and losses from changes in the market evaluation of such investments to be accounted for by the owners (share-holders) of the fund and to be realized by them due to the change of the current price of the fund's shares. Such operations shall be exclusive to an investment fund's activity.

An investment fund shall be constituted only as a joint stock society. The fund's statutes shall specify the procedure for carrying out the fund's operations, particular areas of investing the funds raised by it, conditions of carrying out operations involving these funds, the procedure of interaction with banking institutions, responsibility of founders and managerial staff to the fund's stockholders, the procedure and rules governing the activity of the fund's managers, the procedure of evaluating the fund's assets per issued stock, as well as other matters of vital importance to the stockholders. The use of the fund's resources contrary to the statutes is forbidden.

An investment fund shall not have the right to commit more than five percent of its capital to the purchase of the securities of a single stock issuer, or to acquire more than 10 percent of the securities of a single emitter.

Special terms for the operation of an investment fund shall be determined by the Ministry of Economy and Finance of Russia.

20. No corporate entity shall act as an investment fund unless it employs a staff expert on securities who holds an appropriate qualification certificate awarded by the Ministry of Economy and Finance conferring rights to perform operations involving the money of individuals.

21. An investment institution shall not have the right to start its activities in the securities market prior to issuing a special licence by the Ministry of Economy and Finance of Russia. A licence can be issued both for specific types of investment institution activities, or, simultaneoulsy, for the activities of a mediator (financial broker), investment consultant, or investment company. An investment fund shall perform exclusively those activities outlined by its statutes. The combining of the activities of an investment company and a financial broker shall be allowed only under the condition that the investment company operates as a financial broker exclusively through stock exchanges.

No natural or legal person, with the exception of banks, shall operate in the securities market on borrowed resources or by authorization of third persons without a licence from the Ministry of Economy and Finance of Russia.

22. The procedure and rules for acquiring, suspending and withdrawing licences to operate as investment institutions shall be determined by the Ministry of Economy and Finance, which shall determine the cost and levy charges for the issue of such licences.

23. The Ministry of Economy and Finance of the Russian Federation sets the following requirements, which must be met by investment institutions:

– availability of staff experts holding appropriate certificates;

– availability of the minimal capital needed to honor obligations before investors;

– an organized system of accounting and book-keeping which fully reflects transactions involving securities.

24. The licensing of operations of banks as investment institutions shall be carried out in accordance with general rules set forth by the Ministry of Economy and Finance, in coordination with the Central Bank of Russia.

25. An investment institution shall not have the right to engage in operations with securities unless it has a staff expert licensed to deal with securities, holding the appropriate certificate issued by the Ministry of Economy and Finance of the Russian Federation.

Only experts holding the appropriate certificates are entitled to conclude deals on behalf of the investment institution.

26. The Ministry of Economy and Finance of Russia shall determine the procedure and rules for issuing certificates to specialists involved in operations with securities, as well as determine the amount of, and procedure for, the levying of one-time charges for issuing such certificates.

27. The Ministry of Economy and Finance of Russia may annul or suspend a qualifications certificate entitling its holder to perform operations with securities, issued to the expert of an investment institution, should the expert:

– fail to present all the needed data in the application;

– violate the procedures and in-house rules of operation of the investment institution in question;

– be sued for forgery of papers, money, securities, bribe-taking or embezzlement;

– be recognized guilty, by a court of law, of performing transactions forbidden by Russian legislation, or the illicit use of information which constitutes a commercial secret, or any other classified information provided by his employer or client;

– be found guilty, by court, of causing damage to the client;

– violate the tax legislation under Russian laws;

– be found in violation of the present Regulations or other rules issued by the Ministry of Economy and Finance of Russia.

A court of law may rule to withdraw the certificate from the expert of the investment institution.

An expert who has been deprived of his certificate entitling him to perform operations with the securities may appeal against the decision.

28. In the event of an investment institution being declared insolvent under applicable legislation, all the specialists in its employ authorized to conduct securities operations on its behalf shall be automatically stripped off their certificates empowering them to carry out securities operations, and can resume such work with another investment institution only after the reissue of a special qualification certificate by the Ministry of Economy and Finance of the Russian Federation.

29. An investment institution shall have a minimal required authorized fund. The size of the authorized fund for each type of investment institution shall be determined by the Ministry of Economy and Finance of Russia, and, for those banks operating as investment institutions, by the Central Bank of Russia, in concurrence with the Ministry of Economy and Finance of Russia.

30. The Ministry of Economy and Finance of Russia shall set unified rules for the registration and legalization of deals, book-keeping, and accounting pertaining to transactions with securities. The rules for book-keeping and accounting of operations with securities to be used by banks shall be established by the Ministry of Economy and Finance of Russia in coordination with Russia's Central Bank.

31. The Ministry of Economy and Finance of Russia shall have the right to revoke or suspend the license issued to the investment institution, should the said institution;

– present incorrect data in the application for the license;

– be recognized as insolvent under Russian laws;

– show evidence that 50 percent of its last financial year's profits were generated from activities not related to securities;

– be found liable, in a court of law, for causing damage to stockholders or clientele;

– draw on services of an outside expert who does not hold appropriate certificates for dealing with securities;

– conclude deals expressly prohibited by Russian law, or deals related to the illicit use of information which constitute commercial secret, or by a client's classified information;

– be in violation of the tax legislation;

– violate requirements set forth in the present

MOSCOW BUSINESS WEEK

DOSSIER

Regulations or rules issued by the Ministry of Economy and Finance of Russia.

A ruling on revocation of the licence may be appealed against in court of law.

IV. The issue of securities into circulation (emission)

32. The issue of securities into circulation (emission) shall refer to the sale of securities to their first owners (investors), including individuals and legal entities.

Emission can take place:

– when a joint-stock company is established and shares are distributed among its founders;

– when the size of the initial authorized capital (fund) of a joint-stock company is augmented by the issue of shares;

– when borrowed capital is attracted by corporate entities, the state, state bodies or local administrative bodies through the issue of bonds or other debentures.

33. The issue of shares for distribution among the founders of a joint-stock company shall take place in accordance with the Statute on Joint-Stock Companies, approved by the Russian Council of Ministers' decree of December 25, 1990 (No. 601). The entire charter capital (fund) of a newly-founded joint-stock company shall be distributed among the founders. At the time of its founding a joint-stock company shall not offer any shares for public sale.

Securities may be given in trust to specialized institutions (depositaries) as contributions to common assets.

34. The emitter and guarantors of the issue, if any, as well as investment institutions which sell securities to their first owners, in agreement with the emitter, shall be obliged to enable each buyer to acquaint himself with the terms of sale and the prospectus of emission prior to the purchase of such securities. The emission prospectus shall contain data on the emitter, the securities offered for sale, the procedure for their emission, and other information which may influence a decision to buy or not to buy such securities.

The procedure for the release of an emission prospectus, its registration, and the list of data that must be included in the prospectus shall be determined by the Ministry of Economy and Finance of Russia. For issuers which are banks, the list of data to be included in emission prospectuses shall be determined jointly by the Ministry of Economy and Finance of Russia and the Central Bank of Russia.

The emitter and guarantors, if any, of the issue, as well as investment institutions which sell securities to their first owners, in agreement with the emitter, shall be liable for the authenticity of the information published in the emission prospectus as provided for by Russian law.

35. The emitter and investment institutions which sell shares to their first owners in agreement with the emitter shall offer equal price conditions for the acquisiton of shares (the price of all shares in one issue, when sold to first owners, must be the same).

36. A special charge, of which the amount and procedure of payment shall be determined by the legislation in force, shall be levied for the registration of the issue of securities and emission prospectuses.

37. The Ministry of Economy and Finance of Russia and its local branches shall be responsible for the information published in emission prospectuses, but cannot be held liable for the authenticity of this information.

To protect investors' interests, the Ministry of Economy and Finance of Russia and its local branches may carry out random checks of substantial information features in emission prospectuses.

38. The Ministry of Economy and Finance of Russia may declare issues of securities invalid, suspend the issues, or refuse registration, in cases where emitters or investment companies in charge of placing securities in agreement with the emitter fail to publish full and authentic data on emission prospectuses and violate the present regulations or the Russian legislation in force over the course of issue of securities.

39. It shall be forbidden to advertise securities in the mass media prior to the registration of emission prospectuses with the Ministry of Economy and Finance of the Russian Federation.

40. The Ministry of Economy and Finance of Russia shall have the right to exempt certain issues of securities (including those marketed without a public announcement) from emission prospectus registration, and to determine the procedure and rules of such exemption.

The registration of a closed joint-stock society under Russia's Law on Enterprises and Business Activity shall provide grounds for the registration of an issue of shares distributed among the founders. Refusal to register the securities issued as private distribution shall not be allowed.

41. The Ministry of Economy and Finance shall keep a State Register of Securities in Russia, and publish a list of newly registered securities on a regular basis (at least once a month).

42. The issue of securities (emission) may be carried out in the following forms:

a) private distribution without public announcement, an advertising campaign, publication or registration of an emission prospectus, among a limited number of investors known in advance (up to 100 investors), at all times the circulation of such securities at a cost of no more than 50 million rubles;

b) open sale, with the publication and registration of an emission prospectus, to a potentially unlimited number of investors, at over 50 million rubles.

The emitter and investment institutions which sell securities to their first owners in agreement with the emitter shall choose any procedure for release, at their discretion, consistent to the provisions of Russian legislation and the present Regulations.

In the event of expansion in excess of one hundred investors being proposed to a group of investors in the securities of one type earlier issued for private distribution, or in the event of additional issue of securities of the same type, whereby the total cost of their realization will exceed 50 mln rubles, the emitter and investment institutions which sell securities in agreement with the emitter shall publish and register an emission prospectus under the same procedure as that envisaged for the open sale of securities.

43. Investment companies may, in agreement with emitters, act as guarantors and sponsors of an issue of securities under the following conditions:

– investment companies pledge to buy out, at their own expense, the whole flotation of securities at the fixed price with the aim of later reselling the stocks to outside investors;

– investment companies attempt to buy out, at their own expense, the outstanding part of securities within a statutory period of time.

Investment companies and financial brokers may undertake obligations which make it possible to sell securities on behalf of emitters to outside investors without pledging themselves to buy out the non-distributed part of the issue.

44. Investment institutions may set up ad hoc associations (consortia and syndicates) for the purpose of jointly organizing the issue of securities of a single emitter. The procedure of interaction of investment institutions in the framework of a consortium (syndicate) shall be stupulated by multilateral agreement between all sides involved. Relationships between the emitter and the consortium (syndicate) shall be specified in agreements concluded between the emitter and the mother investment institution of the ad hoc association.

V. Circulation of securities

45. The circulation of securities, that is, the purchase and sale between investors, and through the mediation of investment institutions, shall occur at market prices. Securities deals shall be considered legal only after they have been duly executed.

46. Prices of shares and derivative securities shall be set in rubles and kopecks per security.

Prices of bonds and state debentures shall be determined as a percentage of their par value.

47. An emitter or an investment institution which sells a security to an outside investor is obliged to make available to him complete and impartial information on the security which is the object of the deal, the risks involved in investing in such security, its profitability, the procedure and terms of drawing income from it, and the procedure of taxation.

48. Pending the adoption of legislation on securities operations tax, the profits equal to the difference between the purchase of price a security and its resale price shall be taxed under the common procedure envisaged in Russian laws.

49. In the event of a corporate entity or individual, or a group of individuals enjoying the right of common property, or a group of legal entities bound together by an agreement or controlling the property of each other, shall acquire more than 15 shares of one emitter, the Ministry of Economy and Finance of Russia shall be notified within five days. This provision shall not

MOSCOW BUSINESS WEEK

DOSSIER

apply to the founders of a joint-stock company as its establishment.

50. The purchase of 35 percent or more of the shares of any emitter or shares giving control of more than 50 percent of the votes to one legal entity or individual, or a group of individuals bound by an agreement, or a group of legal entities controlling the property of each other, shall occur with the prior approval of the State Committee of Russia for Anti-Trust Policy and Support of New Economic Structures. This requirement shall not apply to the founders of a joint-stock company at its foundation if its authorized capital does not exceed 50 million rubles.

51. Violation of the requirements specified in paras 49 and 50 of the present Regulations, in reference to the notification (consent) of the Ministry of Economy and Finance of Russia and the obtaining of consent from the Russia's State Committee for Anti-Trust Policy and Support of New Economic Structures, shall constitute grounds for rendering deals invalid.

Confidential status cannot be claimed for data on deals stipulated in paras 49 and 50. Validity of the agreements referred to in the said paras of the present Regulations shall be established by court of law.

The State Committee of Russia for Anti-Trust Policy and Support of New Economic Structures shall set the procedure and rules of recognition of corporate entities as controllers of each other's assets.

52. Securities deals involving confidential information shall be forbidden. Confidential information shall be defined as information on the emitter or its securities which is not easily accessible (obtained from mass media, securities emission prospectuses, periodical reports and information materials published by the emitter), and the use of which may cause material damage to the emitter or the investor.

53. The employees of issuers, investment institutions, banks and governmental administration and inspection bodies who, by virtue of their activity, have access to confidential information, shall be forbidden to make it public or use it in investment consultations or toward personal investment.

54. A state duty to be determined by Russia's government shall be levied on every deal involving the sale or purchase of securities.

VI. Stock exchange

55. The term "stock exchange" defines an organization whose sole activity is to provide the requisite conditions for normal circulation of securities, determining their market prices (prices reflecting an equilibrium between demand and supply of securities), and the proper dissemination of information and the maintenance of high professional standards of agents in the securities market.

A stock exchange shall be established as a closed joint-stock company and shall have no less than three members. Only its shareholders can be members of the stock exchange. The stock exchange shall be a non-commercial organization which does not seek profit; it shall operate on a self-support basis, and shall not pay revenues from its activities to its members.

The minimum authorized capital of a stock exchange shall be 3 million rubles.

56. A stock exchange does not have the right to operate as an investment institution, to invest in activities not outlined in paras 55 and 67, or to issue securities (except its own shares).

57. A stock exchange shall be registered under Russian Law on Enterprises and Business Activity, and shall be issued a licence to conduct stock exchange activities involving securities by the Ministry of Economy and Finance of Russia.

The procedure for registering and obtaining licences to conduct securities exchange activities, and the procedure for the suspension and withdrawal of such licences shall be determined by the Ministry of Economy and Finance of the Russian Federation. Any organization not licensed to engage in stock exchange activity shall not have the right to perform such activity or use the name "stock exchange" (or any other similar name). The carrying out of exchange activity involving securities without appropriate licences from the Ministry of Economy and Finance of Russia shall be deemed illegal.

The procedure for the registration and obtaining of licences for stock exchange operations, the procedure for the suspension and withdrawal of such licences, and the size and procedure for levying state duty on the issuing of such licences, shall be established by the Ministry of Economy and Finance of Russia.

58. Commodity and monetary exchanges may establish stock departments as autonomous structural units with their own balance sheets, with the mandatory prior issue of a license to conduct securities exchange operations by the Ministry of Economy and Finance of Russia. Stock departments shall be guided in their activity by those requirements pertaining to stock exchanges provided in the present Regulations.

59. The stock exchange may choose and develop, at its discretion, the procedure for execution of deals during exchange trading sessions and a procedure for checks and settlements on deals concluded. Stock exchanges and stock departments shall act on the strength of the present Regulations and according to in-house rules for the performance of deals involving securities, statutes (regulations on stock departments) to be approved by the Ministry of Economy and Finance of Russia during the registration, as well as other internal rules and procedures. Any amendments in statutes (regulations on stock departments) or internal rules on conducting operations with securities shall be approved by the Ministry of Economy and Finance of Russia.

The activity of institutions assisting security exchange operations (such as clearing chambers, clearing banks, and insurance companies) shall be regulated jointly by the Ministry of Economy and Finance of Russia and the Central Bank of Russia.

60. The Ministry of Economy and Finance of Russia may suspend or revoke licences for conducting exchange transactions involving securities, or impose other penalties, in the event:

– foundation documents, rules or procedures of the exchange do not correspond to the Russian legislation in force or requirements outlined herein, according to the rules established by the Ministry of Economy and Finance of Russia;

– members of the exchange or its management are in violation of Russian laws, requirements of the present Regulations, rules set by the Ministry of Economy and Finance of Russia, or internal stock exchange's rules of operation.

61. Investment institutions and also government executive bodies whose main tasks include securities operations, can be members of a stock exchange. Stock exchange operations can be carried out only by its members.

Inequality of members of a stock exchange, temporary membership, and the leasing of broker seats to non-members of the stock exchange (the stock department) shall be forbidden.

62. A stock exchange shall have the right to determine:

– minimal requirements for investment institutions to qualify for membership on the exchange;

– qualification requirements for representatives of members at exchange trading sessions.

63. The activities of a stock exchange shall be financed through sale of stock exchange shares conferring the rights of membership; by regular (usually annual) membership dues from stock exchange members; exchange charges on each deal made at the stock exchange; from other revenues derived from the activities of the exchange. All revenues of the exchange shall be directed to the costs of expansion and improvement of the exchange.

64. Rules concerning the securities to be traded at the stock exchange (listing) and the banning of securities from trade at the stock exchange (delisting) shall be established by the stock exchange in concurrence with the Ministry of Economy and Finance of Russia...

VII. Concluding provisions

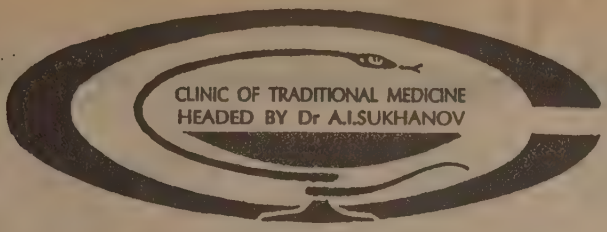
65. The Ministry of Economy and Finance of Russia shall determine the general rules for the conducting of operations at the securities market outside exchanges, in accordance with the legislation of Russia.

66. The Ministry of Economy and Finance of Russia shall exercise control over compliance with the present Regulations, regulations on joint-stock societies, and other legislation regulating Russia's stock markets.

67. Stock market operators may set up professional public organizations, associations, and trade unions (with appropriate funding) with the goal of providing self-regulation of stock market activity, maintenance of high professional standards, training of personnel, development of stock market infrastructure, conducting joint R&D on stock market activity, collective representation of their interests and protection of investors' interests.

Russia's Ministry of Economy and Finance may grant permission to a professional association of securities market members to self-regulate the activity of its members, should its charter and rules comply to legislation of Russia and the Requirements of Russia's Ministry of Economy and Finance.

MOSCOW BUSINESS WEEK



I cure

people of bronchial asthma, acute and chronic radiculitis, stomach ulcers, duodenal ulcers and hypertension without drugs, chemical preparations, or hormones. I have opened a clinic in St. Petersburg and am prepared to build a medical and rehabilitation centre for the treatment of these diseases in any country which will provide the necessary conditions for this purpose. I have worked in Italy and speak Italian, and so would accept a proposal from Italy with pleasure at any time.
You are invited to St. Petersburg for treatment.

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Clinic of Traditional Medicine headed
by Dr A.I.Sukhanov.
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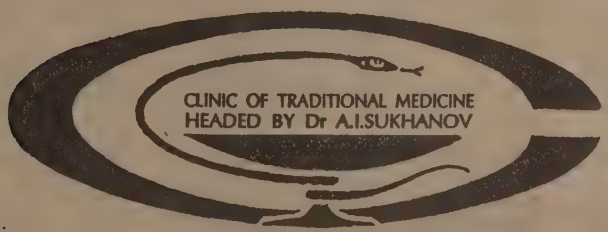
Fax: 242-28-72



How shall we strengthen the ruble and all the rest

Advice by uninvolved but interested persons

Milton Friedman: it is necessary to adopt a parallel currency

"Russia's economic recovery is impossible without a hard and universally esteemed currency," said Nobel Prize winner and world renouned advocate of the free market economy, Milton Friedman, answering a question of *NT* correspondent in Mexico. According to him, our ruble is no longer capable of redeeming the country. More than that, its further use is harmful for the economy. Transition to a parallel currency, solid and universally recognized, for instance, the dollar, DM, yen, is necessary...

For all our esteem for the economic guru, this suggestion is likely to sound sort of offensive to a Russian ear. For all its weakness at present, the ruble is part of Russia's national history and culture. Will its replacement by a healthy and reliable Western currency add to Russia's spiritual strength?

It would be unwise, however, to ignore the opinion of those who mould the opinion of international business and financial circles. I chanced to hear, in conversations with participants in the conference on the problems of economic reforms in Latin America, that further printing of banknotes which have lost authority and economic value even inside the country will only deepen the crisis, while the 6-billion-dollar fund created with Western aid to save the ruble will hardly help the Russian economy if the ruble remains the main national currency.

Outside the mint

Drawing by Yevgeny Starodubtsev

Steve Hanke: a currency council is needed

So what's to be done if, under the conditions of a permanent rise in retail prices, the demand for cash money is constantly increasing? Professor of Applied Economics at Hopkins University, Steve Hanke, believes he knows the way out. It is necessary to create a so-called currency council for Russia. It will be a body which would assume the functions of printing new Russian currency, the so-called hard ruble, completely backed by a reserve currency, i.e., by 6 billion dollars or gold. It should be independent from the country's Central Bank or government in order to free itself from the burden of financing unprofitable but favoured enterprises.

The idea as such is not very original, it has been approved in more than 70 countries, including Russia – during the Civil War, a ruble supported by the British pound circulated in Russia's northern regions occupied by the British. In the 1920s, Lenin's government emitted a golden chervonets readily accepted in the West.

In spite of the fact that in most cases currency councils promoted the quickest possible recovery of a country's economy, their existence, with rare exceptions, was not durable. In the opinion of Prof. Hanke, an un-

yielding opposer of the central banks system, ambitions of all leaders in the world are surprisingly banal: according to his figurative way of rendering it, they prefer to keep the money printing machines, as well as the arsenals, "under their arm."

In his exclusive interview for *NT*, the American scholar, who advises governments of some East European countries on financial matters, showed advantages of a currency council for Russia. In his opinion, it will help Russia obtain a reliable ruble which will occupy an adequate place among the world's major currencies, protect the six-billion-dollar fund from rampant inflation and attract to the country foreign investors who will find at last a sense in investing in this country's economy. In addition, the 10 to 15 billion dollars which leave the country through the former Soviet border every year may be repatriated. And Russian citizens will learn that apart from the savings bank, there also exists the real banking service, because the new ruble can't avoid attracting foreign commercial banks to the country.

Branches of the currency council in Russia's large cities will exchange the hard ruble for a reserve currency, and vice versa, at a fixed rate. The "week" ruble the country's Central Bank may continue to issue will be exchanged for the hard one at a commercial rate. Free competition between these two will show which is the most viable.

The new ruble can be introduced in various ways, in accordance with the govenment's decision. Prof. Hanke proposes, for instance, to issue to all Russian citizens an equivalent of $40 as one-time aid. This would total approximately 6 billion dollars, i.e., the whole of foreign aid to the current ruble. According to Prof. Hanke, this can also guarantee the most rational use of this aid inside the country.

For the currency council to start functioning, the consent of the Russian and Western governments and of the IMF leaders is required. The latter, Prof. Hanke says, do not rule out such a possibility; in all evidence, the Russian government knows about the project and hasn't so far passed a negative judgement on it.

William Niskanen: don't bail out bankrupts

Not all *NT* readers may know the name of William Niskanen, former main economic advisor to Roland Reagan and the father of "reaganomics." In those days the Soviet press was not particularly interested in persons like him; besides, it was believed that the "fruits" of Ronald Reagan's economic policy were known only too well: unemployment, the poor in the streets of American cities, hyperinflation and exorbitant military expenditures.

In the meantime it was precisely then that the United States embarked upon a new stage of economic development and became the embodiment of the obvious triumph of capitalism over communism and socialism. Evidently largely thanks to "reaganomics" Americans have become richer and the Republicans still remain the ruling party.

William Niskanen has recently visited Mexico where he spoke at the forum devoted to the future of the "common market" made up of three countries, the USA, Canada and Mexico. He found the time to answer questions posed by *NT* correspondent.

New Times. Would you recommend Yeltsin to use Reagan's experience if you were Yeltsin's advisor?

William Niskanen. Yes, and very insistently at that. In January 1981, President Reagan decided, on my advice, to undertake a risky, and somewhat extraordinary for the USA, reform of prices – their unfreezing in most branches of economy. At the same time, the excessive regulating of entrepreneurship was removed. As a result, in a matter of a few months and during the nearly 10 years which followed, the total price index in the USA continued to drop, while economic activity increased. The Russian government also unfreezed prices early this year, yet they grow instead of dropping. The matter is that entrepreneurship in Russia is still bound by numerous regulations imposed by central government.

N.T. Perhaps this happens also because there are too few competitors on the Russian market and because the process of privatization is being delayed?

W.N. Possibly so. However in my opinion, privatization must be preceded by the refusal to subsidize enterprises. It's a difficult but necessary political decision. The market itself must decide who is the winner and who is the loser. To my mind, there is nothing terrible about the number of bankruptcies being shockingly large. By the way, every 10 years about 20 percent of enterprises disappear in the United States, being replaced by stronger and more efficient ones.

I would start privatization with small enterprises which are to become the market's major *dramatis personae*. One ought not to have illusions about big enterprises whose privatization may drag on for decades.

N.T. Doesn't this mean running the risk of the giants, which are traditional monopolists, reducing to naught or at least hindering reforms?

W.N. Of course domination by state monopolies is a common thing for morbid communist economics. However, the activity of monopolists can be regulated through anti-monopoly legislation – carrying out resolute structural reform in the economy that will be the next step after price reform and privatization. "Vertical" subordination in the economy, when an enterprise is burdened with a lot of contractors and suppliers who depend on it only by virtue of the signed contracts, is utterly inefficient. Market participants must be independent in choosing partners. There can be only one criterion here – economic expediency.

N.T. How great a priority, in your opinion, should be accorded to the advice and recommendations by the IMF?

W.N. The IMF is staffed with many bright and experienced economists who can give a good piece of advice, provided they have objective and exhaustive information about the conditions for economic activity in a country. For instance, the IMF gives practically all Latin American countries universal recommendations concerning ways of reducing their budget deficit. However, only a few of them have really made striking success in implementing economic reforms, namely, Argentina, Chile and Mexico. Why? Because the governments of precisely these countries are most devoted to reforms and act proceeding from their own concrete situation, although they can ignore some IMF recommendations, because they know that other approaches are more suitable under certain conditions.

Generally speaking, the IMF is a good shield in battling with the political opposition. When a government has to make an unpopular decision, it can always refer to the IMF.

N.T. The Yeltsin government intends to ban the use of foreign currency in cash payments and plans to create a vast network of exchange points where it would be possible to exchange foreign currency for rubles at the officially recognized rate. What is your opinion of this measure?

W.N. I don't know. I don't see any special economic or financial sense in it. In effect, the ruble, to the best of my knowledge, has never been an effective means of payment in the USSR. It has always been accompanied by long lines, bribes, favoritism or something else. If only support of the ruble by Western financial institutions raises its authority... Well, frankly speaking, I can't remember a single country in the world where introduction of a mandatory currency exchange didn't entail the appearance of a black market.

N.T. One more possible move by the Russian government in the nearest future: introduction of export taxes, coupled with the nearly complete concelling of licenses...

W.N. Export taxes are practically the same thing as import taxes. This form of taxation was resorted to by the American government as early as before WWI, when the system of trade tariffs had not yet been regulated. Now the main form of taxation is income tax, calculated on the basis of voluntary declarations of the size of incomes made by individuals and enterprises. This form of taxation is hardly practicable in Russia currently. Probably the Russian government resorts to export taxes as one of the last-ditch remedies. This step, however, may bring about a reduction in foreign trade, which is not highly desirable at the moment when Russia is trying to compete on the world market.

Yuri Kudimov,
NT correspondent
MEXICO

Many openings for advantageous cooperation

Russia and Latin America have common problems and positions

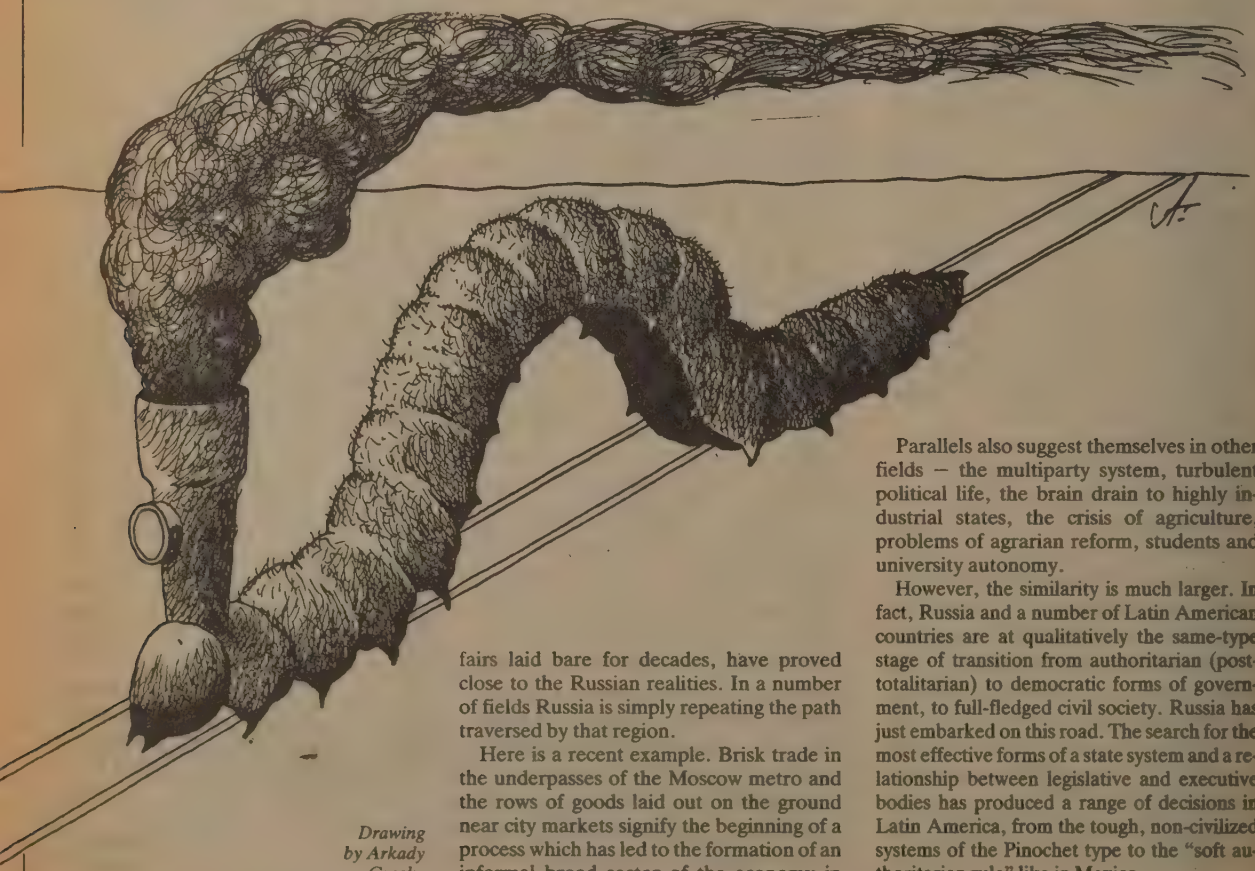
One can hear today different views about Latin America. Some allege that "the Latin American way is not suitable for Russia." Others fear that Russia might "turn into a conglomerate of Latin American republics." Still others refuse to talk about Latin America, adding "there are more important subjects for discussion."

It is difficult to say what prevails in reasoning of this kind – lack of knowledge or the ingrained perception of Latin America as a far-off and dependent region of the world of little importance to our national interests.

Russia is no longer "Upper Volta stuffed with missiles." But it is not a centre of world politics either. The intermediate position of Russia, a symbiosis of the features of a developed and developing state, makes it not only comparable with Latin America, but also calls for a careful study of the experience of that region.

The "unofficial" economy

The former USSR and Latin America occupy vast geopolitical territories comparable by their size, with groups of states closely linked between each other in the social, cultural, ethnic, religious and other respects. The extreme poles of development and backward zones, disproportions in the distribution of productive forces, and contrasts in the living standards of different sections of the population, that is, all the evils of "dependent capitalist development" which Soviet experts in Latin American affairs laid bare for decades, have proved close to the Russian realities. In a number of fields Russia is simply repeating the path traversed by that region.



Drawing by Arkady Gursky

Here is a recent example. Brisk trade in the underpasses of the Moscow metro and the rows of goods laid out on the ground near city markets signify the beginning of a process which has led to the formation of an informal broad sector of the economy in Latin America. The shock therapy policy conducted by the Russian government will inevitably result in the growth of marginal town sections for which this unofficial economy is the only chance of survival. However, in Latin America the marginal sections are not only people driven to extreme poverty, but also a crime-breeding medium, a peculiar political culture, and the mass base for extremist movements.

Latin American countries are searching for ways of integrating the marginal sections, the unofficial sector of the economy into present-day society. Russia is on the threshold of the formation of this sector of the economy. Why not try to avoid something, to forecast and foresee something beforehand even if this process is inevitable on the whole?

Parallels also suggest themselves in other fields – the multiparty system, turbulent political life, the brain drain to highly industrial states, the crisis of agriculture, problems of agrarian reform, students and university autonomy.

However, the similarity is much larger. In fact, Russia and a number of Latin American countries are at qualitatively the same-type stage of transition from authoritarian (post-totalitarian) to democratic forms of government, to full-fledged civil society. Russia has just embarked on this road. The search for the most effective forms of a state system and a relationship between legislative and executive bodies has produced a range of decisions in Latin America, from the tough, non-civilized systems of the Pinochet type to the "soft authoritarian rule" like in Mexico.

The zero cycle

Russia and Latin American countries are at different phases of one and the same stage of macro-economic reforms, the liberalization of economic life, the search of ways of integration into the world economy. Of course, the starting conditions in Mexico and Brazil or Russia and Ukraine are quite different. Russia is "starting from zero" while major Latin American countries have already gained considerable experience in private enterprise, cooperation with foreign companies, and the functioning of the market, though with no little deformations.

The experience of "fragile" democracies of that region is not only topical in Russian conditions but also much closer to our reality than the experience of highly industrialized countries. Mexico, Chile, Argentina and Brazil are evidently ahead of us in this respect, but only within one cycle, tackling problems which are arising or will soon arise before Russia.

Larisa Piyasheva, a Russian economist, once complained there are no countries with the experience of mass privatization which Russia could adopt. Mexico is a case in point. About 2,000 state-owned enterprises, including large ones, have been taken into private ownership in that country over the last few years.

How to minimize the inevitable social losses in the period of reforming the economy? How to distribute by taxing and other means the burden of economic restructuring among the different sections of the population? A number of Latin American countries have found original solutions in this sphere too. Take, for instance, the Solidarity programme in Mexico designed to extend the social infrastructure and help poor sections of the population. It is not a return to paternalist schemes of the past, and not only a political instrument of the ruling party, but also the search for a new role by the state at a stage of structural reforms.

"Social pacts" concluded between the state, employers and trade unions and regulating the "rules of the game" in the period of a neo-liberal sanitation of the economy are also a topical task for Russia. In the past few years Mexico, Venezuela and Argentina have devised interesting solutions in this respect.

Latin American countries are major debtors in the world. Since the external debt crisis broke out in the region 10 years ago they seemed to have explored every opportunity to ease the debt burden, from different variants of changing the pattern of the debt to the conversion of part of the debt into securities with their subsequent realization at international markets. They also have the experience of interaction with the International Monetary Fund and the World Bank, which has not always been free of conflicts. Russia, which has assumed a greater share of the Soviet Union's debt, is also a large debtor, and the pattern of its debit is obviously unfavourable for the next few years.

Rules of good neighbourship

The Latin American example is useful for the present and especially future relations between the member states of the Commonwealth. Latin America has gained rich and, in many respects, unique experience in the settlement of territorial and border disputes which its republics inherited from the Spanish Crown in the past. The building of international control mechanisms, the disengagement of hostile parties and the disarming of irregular units, the refugee problem, and the search for ways of national reconciliation – not a few interesting solutions to these problems can be drawn from the history of settlement of conflicts in Central America.

The practice of regional cooperation of states in the Western Hemisphere is also interesting for Russia. Let us take the "pro-imperialist" Organization of American States. During almost five decades of its existence the OAS has acquired much valuable experience in the interaction and linking interests of a large group of countries differing from one another to a considerably greater extent than, say, Russia and Kyrghyzstan. This experience has not always been positive. Moreover, it is rather negative. For many years Latin American republics have vied and sometimes clashed with each other in an attempt to establish privileged relations with the United States. As a result, for decades the situation has been marked by disunity, clashes, and the arms race on a regional scale.

The foreign policy of Latin American countries has been characterized by reliance on external aid and by emphasis on ties with major powers. But simultaneously with this policy another process has been going on for decades – the search for resolution in such areas, topical for Russia and other Commonwealth states, as the settlement of territorial, interethnic and internal political conflicts, collective security, protection of human rights, the struggle against terrorism, and drug trafficking.

Lessons for politicians

Russia's foreign policy is in the formative stage. It should be given a multipurpose character by way of opening new fields, thus noticeably expanding the possibilities of choice. It is not a matter of ensuring "presence" in Latin America at any cost. Such an attempt was already made. There are fields of advantageous cooperation with countries in that region, needing no expenditure, and Russia has considerably more such fields than it may seem. On a global scale, Russia and Latin America can be likened to a train running after the industrial democracies of the West. In this respect we can support rather than compete with each other, in particular by collectively influencing the centres of world politics.

It is not, of course, a matter of forming new blocs or Russia's joining the confrontation between the North and the South on the latter's side. Russia should not go to the other extreme however, fully associating its interests with those of Western countries and Japan, which are advancing to a new level of civilization. Latin America and Russia have more than a few common positions on such problems as the trade protectionism of industrial states, external debts, the transfer of technologies, the exploitation of the resources of the World's Ocean and ecological security.

There are also not a few concrete spheres of bilateral interaction. For instance, in 1990, mainly under US pressure, the Central Space Board of the USSR (Glavkosmos) failed to conclude an almost completely coordinated contract on the delivery of technologies and technological assistance to Brazil. Our space technology has always been prevented from international markets. This resistance is felt even now. At the same time, Brazilian cosmonautics experiences technological hunger. Why not try to cut our way towards each other again? Other countries of the region can also become Russia's partners. Russia and such countries as Mexico, Brazil, Argentina and Chile can assist each other in the retooling of the Russian light and food industries in exchange for our high technologies. The establishing of ties between Russia and Latin American countries across the Pacific would prove beneficial to both sides.

There are unexpectedly many possible spheres of interaction and cooperation between Russia and Latin America as well as many similarities. It is to be hoped that, so different and yet so similar, they will at last "find each other."

Vladimir Sudarev,
Cand. Sc. (History)

SUMMER BERINGIA–92

the world's first sailing and rowing regatta of Chukchee boats
along the route from Ualen via the island of Ratmanov (Russian Federation)
to the Diomede Islands (the USA).

Sportsmen from Anadyr and Alaska will take part in this
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The regatta starts late in July 1992.

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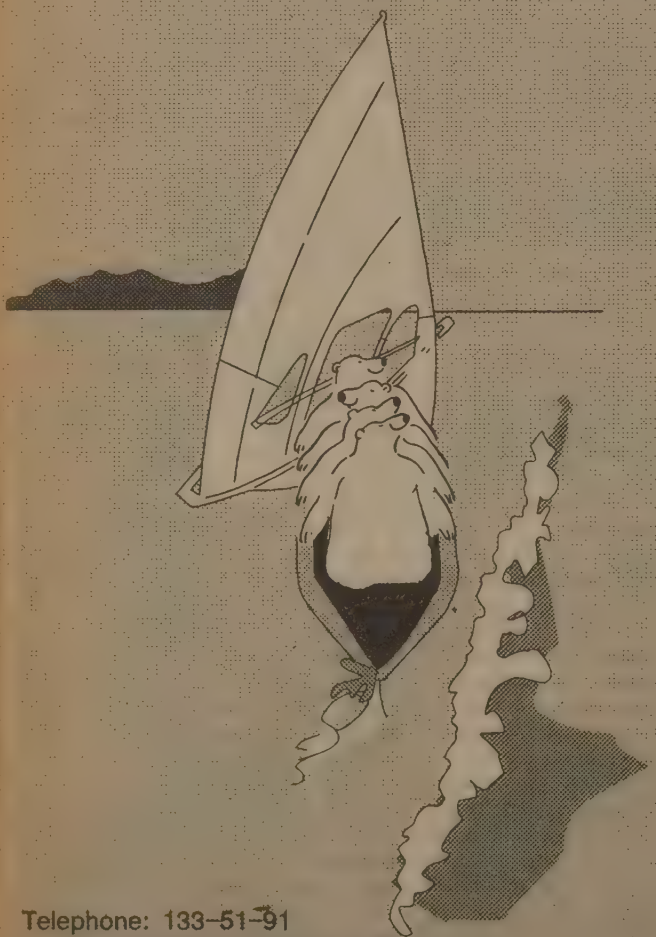

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Moscow won't have to make concessions

because what isn't yours can't be conceded. But Moscow can and should return what isn't its

The closer Boris Yeltsin's visit to Tokyo, the more heated the discussions of the territorial problem. Unfortunately, they are seriously only being conducted in small professional circles. There is no competent public opinion in Russia today on the problem of the "northern territories," since the public at large are only superficially familiar with the heart of the matter.

International law is a good reference point for those who want to understand the territorial issue. From this point of view the traditional Soviet position on the territorial issue was very flimsy.

According to it, the Soviet occupation of the "northern territories" was done in agreement with the allies – a normal outcome of war. But nowhere in international law is there a provision for the lawful confiscation of part of the territory of the vanquished by the victor.

It is said that this "normal outcome of war" is fixed in the San Francisco Peace Treaty of 1951. Therefore the "lawful inclusion of another's territory in the Russian register can be upheld with only the San Francisco Peace Treaty in one's hands."

But that's not so, for that Treaty does not contain the geographical concept of Kuril, or the name of the nation of their transfer to by Japan.

The Soviet-Japanese Declaration of 1956 envisioned the transfer of the Japanese islands of Habomai and Shikotan. In Tokyo, they think that the islands of Kunashir and Iturup should be returned to them as well, since they don't belong to the Kuril chain.

Our advocates of the traditional point of view assert that to agree with that means to make one-sided concessions.

No one can concede what isn't his, and, in the strict international legal sense, Kunashir and Iturup don't belong to Russia and never did before 1945.

The islands beginning with Urup and extending further north were Russian. After the signing and ratification of the 1956 Declaration, the ministers of foreign affairs of the two countries exchanged letters confirming their readiness to enter into negotiations on the fate of Kunashir and Iturup after the conclusion of a peace treaty. So even then Moscow had a special approach not only to Habomai and Shikotan, but also to Kunashir and Iturup.

The problem of the losses which Russia will suffer in giving up the islands is a painful one. At a meeting of the scholars on Japan at the Institute of World Economics and International Relations, the possible losses were determined very precisely and far-sightedly: the loss of resources from the seas around the "northern territories," a shift in the military-strategic balance, and claims by other states on Russia's territory.

The majority of participants in the discussion came to the conclusion that the likely damage and losses, if they came about, couldn't be so great as to shake the conviction that the problem must be solved according to principles of law and justice.

We should begin not with an accountant's calculation of the profits and losses, but with a determination of Russia's national interests in the high sense of the word. Unfortunately, the thought that Russia's interests lie not with holding onto what is not its, but in the building of civilized relations with a neighbouring state sinks in with great difficulty.

Izvestia printed an article characteristic of their correspondent Sergei Agafonov, entitled: "In anticipation of 'gold rain over the Kuril chain.'" The author writes that in Russia, the discussions of the territorial issue mainly come down to guessing whether the country's political leaders will give up the controversial islands. Agafonov thinks that for many of the new and self-proclaimed Russian politicians the question of the "northern teritories" is only a means of establishing their place in the spectrum of political forces: if they are for the transfer of the islands to Japan, then they are democrats.

As Agafonov writes, the discussions on whether they will give up the islands or not have a continuation: "If they do, then for how much and in what currency?"

Of course an international legal dispute should't be turned into a business deal. However, why deprive Russia of large-scale aid if the "northern teritories" are returned to Japan?

They say that Japan, like all western countries in the Great Seven, has limited financial resources. But should Japan be lumped together with the other countries of the Seven? For Japan, and only Japan has significant amounts of available capital.

Of course, these are politicians who want to exploit the problem of the "northern territories" but they represent quite another pseudopatriotic camp and desperately try to capitilize on the slogan "No concessions to Japs."

It is bad if the stance of a democrat in respect of the territorial problem is determined by this crave for higher political rating. And it is good when real democrats naturally come to understanding of indispensable solution of the problem on the basis of justice and law.

Vladimir Yeremin

Vladimir Yeremin works at the centre for Japanese research of the Institute of Far Eastern Studies of the Russian Academy of Sciences

Competitors and partners

The President of South Africa arrived in Moscow on an official visit for the first time. The main topic of discussion between Frederik de Klerk and the Russian leaders was trade and economic relations between the two countries. After forty years of being at odds, the two countries now feel that they cannot get along without each other...

On the eve of the visit, the *New Times* correspondent in Pretoria, **Nikolai Reshetnyak,** talked with Russia's Deputy Minister of Foreign Economic Relations, **Vladimir Rabotyazhev,** who had come to South Africa.

Frederich de Clerk. It was impossible to imagine only a few years ago that a South African president would be received in the Kremlin

New Times. Your visit to South Africa generates hopes in this country for wider economic ties between the two nations.

Vladimir Rabotyazhev. This is the first such trip to South Africa. We have come here in order to prepare an agreement on cooperation between our two countries pending the visit of the President of South Africa to Moscow. This document will open the two-way movement: Russian businessmen can secure a foothold on the market here and vice versa. Most-favoured-nation status will be granted, which implies special treatment in the field of export, customs duties and tariffs. We assume obligations to remove any obstacle to normal trade and economic relations.

N.T. How did the negotiations go here?

V.R. We met with officials of the ministries of finance, commerce and industry, and foreign affairs, and with businessmen and are now convinced that South Africans want to do business with our industries and cooperate in scientific endeavours.

N.T. What are South Africa's trade priorities?

V.R. Well, Russian businessmen representing the machine building industry who are in our delegation are very pleased that there is great interest in cooperation to develop mining equipment, joint efforts in the automobile industry as well as in the production of small machines for farmers. That is essential for the development of Russian farms. Cooperation in the aerospace sphere and in the production of instruments is also possible. In general, the African market is of interest to Russia because it is open to exports of many items we produce, unlike Western Europe and the USA, who only want our oil and gas... As of today, South Africa is ready to buy quite a bit of what we manufacture.

N.T. Is there the danger that in South Africa Russian businesses may have conflicting economic interests with other republics of the former USSR? For instance, Ukraine or Kazakhstan are already actively entering that market.

V.R. It is stipulated in our agreement that trade between our countries must not affect the interests of others CIS states, nor infringe upon the business of South Africans either in the CIS or in other countries of Africa.

N.T. Have you brought from Moscow proposals on cooperation with South Africa in third African countries? After all, there is great potential for trade and joint projects in Mozambique, Angola, Botswana, Zimbabwe and Zambia...

V.R. We know that there are countries which are mostly oriented on South Africa. The South African Republic is helping them build or strengthen their national economies. In our dialogue with Pretoria we keep in mind that it will be easier to penetrate the markets of the neighbouring countries. We already have trade missions in a number of other African countries. By the way, we got consent to open Russia's trade mission in South Africa in the near future.

N.T. In July, an exhibition of South African goods, Sovex-92, will open in Moscow.

V.R. I have met with the heads of the companies and businessmen who will take part in that exhibition. There will be about 75 firms at it and two thousand exhibits. I think the products will be of interest and quite a few contracts are sure to be signed.

PRETORIA

Photo by N. Reshetnyak

NEW TIMES
INTERNATIONAL

Your most reliable source of intelligent information from Russia

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First published in June 1943

First graduation of RAIU

An event that brought together such people as Moscow Mayor Gavriil Popov, Rector of MSU Victor Sadovnichy, American businessman Dr Edward Lozansky, and several dozens of students holds true significance for Russia. In one of the lecture rooms of Moscow State University, the first graduation of the Russian-American Independent University students took place last month. In his speech, Mr Popov pointed out that the first RAIU graduates have appeared just in time to take on numerous new projects aimed at the restructuring and privatization of Russia. The RAIU is a regular business school which functions according to American standards. Mr Edwin Dolan, Economics Professor at the RAIU, handed out American printed diplomas to 34 successful graduates. The Professor compared the RAIU students with those who study at Yale, one of America's foremost universities.

Dr Lozansky, President of Independent University in the USA, and Vice-President of the RAIU and its commercial partner, the Washington consulting company Russia House, plans to prolong his support of free studies for RAIU students. Next fall, new candidates will be able to compete for the right to enroll in the Russian-American University.

Babylon of BABYLON's shops

One of the first foreign companies to enter St. Petersburg's retail trade market was Holland's company Venture Capital Investors. But better known throughout the city is the name of the establishment's network, BABYLON.

The first BABYLON shop was opened by Venture Capital Investors only a year and a half ago near the crossing of Liteiny and Nevsky avenues, in the very heart of the city. Customers were attracted by superior clothes and service of high quality, both offered for payment in rubles. A line in front of the door became a common sight. Although Russians say "in BABYLON, the prices hurt," they are significantly lower than those found in street kiosks. The comparatively low prices have brought to BABYLON numerous intermediaries and involvement in the wholesale business. BABYLON now uses a special office just to deal with reselling.

The Venture Capital Investors' marketing strategy is to fill every niche in the trade market of St. Petersburg. With the support of the Russian enterprise Polus, Venture Capital Investors plans to build a chain of up to 25 shops.

FEZ Yantar

The underlying principles for the creation and functioning of the free economic zone Yantar in Russia's westernmost Kaliningrad Region have been described as extremely viable by Mr Henrik Ree Iversen, Director of Denmark's Foreign Ministry department. Iversen recently visited the region for two days as the head of a delegation of Danish government officials and experts.

"Before we came to Kaliningrad, our delegation tended to be rather sceptical toward the idea of creating a free economic zone in the Baltic region," Mr Iversen told journalists at a press conference. "However, the substantive discussions we have had there have made us change our opinion. Yantar's underlying concept is different from those behind similar free economic zones in other countries. It varies in that it provides better opportunities to move quickly to the market system and sets out incentives for foreign investors. We have also identified promising areas for long-term, fruitful cooperation between Danish and local businessmen. Among them are development of the transport infrastructure through use of local ports, projects to protect the Baltic Sea against pollution, and many others. For our part, we are prepared to meet all the necessary conditions for Danish businessmen to establish mutually beneficial contacts."

The head of the delegation described the visit as very successful, although as a fact-finding mission. Danish businessmen are prepared to take a chance and invest in Yantar.

Mosintour invites you...

A new travel agency, Mosintour, was established in Moscow recently. The agency is organized as an open-end joint-stock company. Its shareholders include hotels which were formerly managed by the now-dissolved USSR State Committee for Foreign Tourism, along with a number of other organizations involved in providing services to tourists.

The new agency's principal objective is to put into place infrastructure for the travel industry in Moscow. This includes supplying the city's hotels with their various needs. Another business of Mosintour is to build new hotels.

Booming trade

Muscovites may simply venture into the Irish Trading House, which opened on Arbat Street in Moscow.

A modern interior design, up-to-date equipment, a wide range of quality goods, the smiling salespeople, polite and everhelpful – a glaring contrast from their colleagues in shops just next door.

There are usually many customers in the Irish House. Although only hard currency is accepted here, 80% of those who make a purchase are Muscovites and people from other parts of the Commonwealth, who seem to have more and more hard currency on their hands.

The department store was set up by the firm Arienta International and sells goods from Ireland, England, France, Germany and Holland. Some foodstuffs are supplied by enterprises in Moscow. The firm runs shops in the Sheremetyevo airport and St. Petersburg as well. Trade is booming.

"You are loafers," **Jo Glahe,** the founder and head of the German firm Glahe International, used to tell me by way of comparing us Russians with the Chinese. The assessment is not very pleasant, but, apparently, just, since Jo Glahe has been conducting his business in our country for more than a quarter of a century, and recently he has started business relations with China, so he knows what he is talking about. He organizes exhibitions in our country and has created several joint ventures.

Half a century ago he started out, as in the legends about millionaires, with 40 marks in his pocket, and today his firm has branches in nearly 40 countries of the world. Glahe International engages mostly in organizing exhibitions and fairs. But not only this. The firm's sphere of interests includes marketing, consulting, market research and other services connected with business for its clients.

Jo Glahe was once a painter working in the impressionist manner, but later he abandoned painting and completely devoted himself to business. "This is only a pause in my creative activity," he says. His Cologne-based firm is the only one in the world which specializes in the exhibition business. From Glahe's point of view, exhibitions are, first and foremost, contacts between people and firms, whithout which no serious business is possible. The contacts which have remained from earlier times evidently help Jo Glahe find his way even in our present economic chaos. He speaks about Russia's prospects with optimism, being aware of the hardships which are in store both for us and for himself. "You must immediately settle the question of property relations," he insists. "As soon as this is done, everything will start to improve."

For the time being, he continues intense preparatory activities for conducting seventeen exhibitions in Moscow, St.Petersburg and Perm this year. The MOSAEROSHOW-92 due to be held in August in Zhukovsky, near Moscow, is one of Jo Glahe's favorite creations. He also dreams about a car salon in Moscow, one which wouldn't be second to those in Geneva or in Frankfort on the Main.

* * *

The well-known theatre and cinema analyst and a contributor to *New Times,* **Konstantin Shcherbakov,** accepted congratulations on his new assignment. Now he will have to combine the post of Editor-in-Chief of the magazine *Iskusstvo Kino* (The Art of Film), with that of Deputy Minister of Culture and Tourism of the Russian Federation.

Shcherbakov was reluctant to accept the proposal of the present Minister Yevgeny Sidorov to become his deputy because he didn't want to abandon the magazine. But the Minister understandingly suggested a compromise.

Unlike many of his predecessors, Shcherbakov is quite familiar with the situation in the arts. As early as his student years he was keen on theatre and cinema and "reserved" these topics for himself when he started to work with his first newspaper *Moskovsky Komsomolets*. Then he worked for 13 years on the staff of *Komsomolskaya Pravda* where his talent flourished to the full.

Blues of Moscow streets

When **Alexei Kolosov,** a guitar player and composer, is asked why he has not yet emigrated from Russia, he answers: "I'd be glad to work in the West for some time, but I believe that my audiences are here, and I think Russians need our music."

The 33-year-old musician began his career ten years ago. He performed with a variety of groups and played both pop music and advanced chamber jazz.

The mid-1980s saw the state lose its monopoly on concert production in the country. Independent companies began to emerge, but they only offered jobs to those who played pop or rock music. Like many of his colleagues, Alexei found himself in a difficult situation.

He is fond of playing with other guitarists, especially Odd-Arne Jacobsen, a well-known Norwegian guitar player and composer.

They have much in common in their approach to music, first of all, in the capacity to remain oneself. Together with Victor Erzunov, who plays classical Russian guitar music, they recorded an album in Moscow last summer. It is the first jazz album ever recorded by a Russian and a Norwegian jazz performer. But Alexei's fans certainly did not expect that this spring his music would acquire a different dimension.

"Blues is my long-time love, but previously, I lacked the partners with which to form a blues group. I'm very serious about blues, and it's important for me to have the Moscow sound in blues too. I'm not imitating famous US blues men. I intend to remain who I am at heart, a Russian musician seeking to put his personal touch on blues. This is why I sing blues in Russian."

In the late 1960s he was suddenly demoted from the post of editor in the department of culture to that of an analyst: editor Shcherbakov released a "politically incorrect" article by Len Karpinsky and Fyodor Burlatsky about the undesirability of active interference by party functionaries in cultural matters.

After *Komsomolskaya Pravda* Shcherbakov worked for several years in Poland as a representative of the All-Union Copyright Agency and later, in the magazine *Druzhba Narodov*.

Four years ago he was invited to head the magazine *Iskusstvo Kino* for a limited circle of connoisseurs of cinema. In those days Shcherbakov breathed a new life into it. He turned the magazine into a "must read" for any intellectual with self-esteem. To achieve this, he widened the range of topics and invited the cooperation of such brilliant writers as Alexander Ghelman.

For the time being, the Deputy Minister is not going to abandon the magazine.

* * *

The return of former party leaders of former Union republics to political life seems to have become an established tradition. The example of Geidar Aliyev proved worthy of following to the, 73-years-old **Turdakun Usubaliyev,** who triumphantly won the elections for Kirghiz People's Deputies in his native Naryn Region.

In the 1930s Usubaliyev graduated from the Moscow Pedagogical Institute and even tought at a school for some time. But soon the war started and he was drafted... to party work. He began as the head of a sector in a district party committee, then was successively promoted to instructor of the Kirghiz Communist Party Central Committee, the editor of a republican newspaper, and First Secretary of the Frunze City Party Committee. He was First Secretary of the Kirghiz Communist Party Central Committee from 1961 to 1985.

In the mid-1980s Usubaliyev is said to have become involved in a case of embezzlements at a number of meat-packing factories. He was put on pension without much ado. And now his political career is taking off again.

Recently Usubaliyev surprised his fellow countryment once more. He cited the testimony of one of the "meat" mafia bosses in his book *Open to gunfire* which has been just published. The mafioso named as his main protector Kenesh Kulmatov, then the Kirghiz Communist Party CC secretary for ideology and now Russia's Extraordinary and Plenipotentiary Ambassador to Kuwait.

From the labyrinth of science to the heights of politics

If a few years ago **Vladislav Ardzinba** were told that he would have to leave the maze of science and completely devote himself to politics, he would consider it a poor joke. His career in science was quite successful. At the age of 40 Ardzinba became a Doctor of Science (History) and a bit later, the head of a sector in the Institute of Oriental Studies of the Russian Academy of Sciences. In 1988 Ardzinba accepted the proposal to become the director of the Abkhazian Insitute of Language, Literature and History, and returned to his native Abkhazia. However, some time later he reappeared in Moscow again, this time as a deputy to the USSR Supreme Soviet. His main sphere of political activity was to reform the national and state system of the USSR, to promote the status of autonomous republics and ensure legal protection of national minorities. His name became known in Abkhazia. In December 1990 he was elected to the republic's supreme post, that of the Chairman of the Supreme Soviet.

Ardzinba became, for Abkhazia, an embodiment of the new generation of leaders whose emergence on the political scene was made possible only as a result of the abolition of party monopoly on personnel selection. Being radically different from the former *nomenklatura,* he enjoys popularity among the Abkhazians thanks to his energy, intellect and devotion to democratic principles. Ardzinba introduced dynamism and firmness into the republic's policy, purposefully upholding its dignity as a state. Unfortunately, overcoming opposition in these matters costs him great effort. However, Ardzinba leans on the support provided by Abkhazia's multiethnic population.

Introduced by *New Times* analyst **Rostislav Zolotaryov**

FROM THE 20th CENTURY POLITICAL THOUGHT

The outstanding Russian philosopher and public figure Yevgeny Nikolayevich Trubetskoi inscribed a brilliant page in Russian intellectual history. A member of a famous princely dynasty which had given Russia a galaxy of great men, he contributed substantially to the progress of Russian culture at the beginning of 20th century. Yevgeny Trubetskoi and his elder brother Sergei (1862–1905), an outstanding philosopher and the first elected rector of Moscow University, were close friends of the historian Vladimir Solovyov. Having graduated from Moscow University, he taught law at Kiev's St.Vladimir University, which had S.N.Bulgakov among its faculty members. One of the founders of the Constitutional Democrats Party, he never really identified himself with it, like Bulgakov, Berdyayev and Struve, although he was quite active politically. Yevgeny Trubetskoi regarded it as his chief aim in life to promote Russian religious revival, and was among those who established the Moscow Religious Philosophical Society. Having gone all the way to the status of a member of the State Council, he took an immediate part in preparing church reforms on the eve of the revolution, and carried on this activity after the Bolshevik takeover.

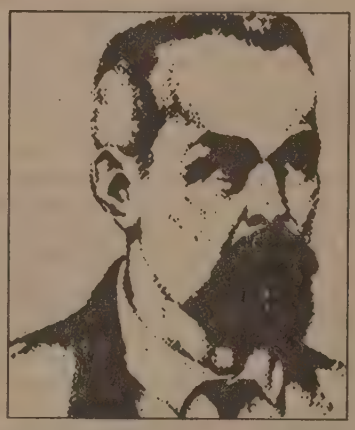
Yevgeny Trubetskoi was known not only as a philosopher but as an art critic as well. Along with philosophical works, his heritage includes books on the history of Russian iconography – *Three Essays About the Russian Icon* and others.

As a philosopher and a public figure, Prince Trubetskoi represented a line by following which Russia could have avoided the revolution – the line of free and unrestricted progress, of adherence to a creative tradition rooted in true spirituality. His early printed works were already marked by a desire to bring harmony and sober-mindedness into the tense and hectic atmosphere of those times. Revolutions and hatred – whether called for by the Right or by the Left – were unacceptable to Trubetskoi. He believed in peaceful reforms, in the creative force of compromises, and was emphatically opposed to class egoism which he regarded as a destructive factor.

This is what the article "The Great Revolution and the Crisis of Patriotism," some excerpts from which appear below, is about. Written by Yevgeny Trubetskoi during the Civil War, shortly before his tragical end (he died of spotted fever in Novorossiisk in January, 1920, on the eve of evacuation), and, curiously, addressed to the White Guards Army, it has lost none of its topical value to this day.

Revolution and patriotism

Yevgeny Trubetskoi (1863–1920)



The developments of the German revolution have cast a surprisingly bright light on what is going on here, in Russia. What many of us have regarded as exclusively Russian has now turned out to be global and common to all.

Until recently, we were prone to explain the collapse of Russian statehood by purely local reasons – a monstrous degeneration of Russian absolutism, the "troubled times," the Russian people's "lack of patriotism" – in a word, by our strictly local maladies. And now, right before our very eyes, the same disease has struck Austria-Hungary, Germany, and threatens to spread worldwide.

There are, of course, some differences between the situation here and that in the neighbouring countries, but in *matters of substance* the similarity is striking indeed. A revolution is a product of war everywhere. Hence a number of phenomena which recur everywhere... We observe the same paradoxical transformation taking place in Germany and Russia: *militarism gives birth to Bolshevism*...

The war has laid bare the senselessness of modern statehood: no victory can make up for the sufferings it causes. The military state of today lost its justification: it turned out to be an enormous hoax, which spelt a death verdict on it. When the masses came to suspect that they had been prepared for a senseless slaughter for years, they came to the conclusion that their real enemy was inside, not outside the country, and that the weapons issued to the nation by the state should be used to fight this enemy within...

Now we see how superficial it is to attribute the "Russian revolution" to the lack of patriotism allegedly characteristic of the Russians and to oppose the "patriotic enthusiasm" in Germany to Russian cosmopolitism. This explanation is equally unfair as regards the Russians and as regards the Germans. An impartial survey of events will show that neither an upsurge of, nor a decline in, patriotism is any nation's monopoly...

In Germany and in Russia alike, patriotism is now being undermined by, and struggles with, two enemies. These are: first, old *working-class internationalism* inspired by Marx's slogan "Workers of the world, unite"; and second, *bourgeois* internationalism which follows the opposite, as yet unvoiced but already working motto: *"Bourgeoisie of the world, unite."* These two mottoes express two basic modern factors – the disintegration of the state and the disintegration of the nation...

The apparent upsurge of the belligerent nations' patriotism was obviously a symptom of a *worldwide* malady, common to all of them, revealed by the war. What did it consist in?

The anarchy now rampant here and in the neighbouring country has hardly been caused by the unprecedented, unheard-of casualties two nations have suffered. Previously there were longer wars which lasted for decades, and in wartime the nation *always* demanded that its sons should be prepared to *sacrifice* their property, lives and even to undergo torture. The fact that nations fail to stand these orde-

als now is caused by the emergence of a *new temptation* unknown to the previous generations. The transition of an international war into a *class war* shows quite clearly what kind of a temptation this is.

At a critical moment, people betrayed their nations interests for the sake of class interests. The promise of a paradise on earth at the expense of the propertied classes – such is the temptation which nations faced before but which modern nations have proved unable to resist in the face of the revolutions already in progress or still to come. A loss of spiritual values, the rise of *economism* which absolutizes sensual, materialistic joys – this is the global disease which has affected society in this country, in Germany, in Bulgaria, everywhere....

This disease did not appear yesterday, and finds its expression not in the communist theories alone. Bolshevism, which openly professes, and teaches in schools materialistic world outlook is a direct successor to, and extension of, modern imperialism... Why did the World War break out? Its causes lie in that imperialism had tempted nations by prospects of a paradise on earth before Bolshevik agitators did it, that some nations sought to secure a "better place under the sun" at the expense of other nations who had seized all the good places before. Isn't that the purpose of the Civil War today? What is Bolshevism if not the same aspiration to "a better place under the sun" at the expense of others, the same ruthless, inhuman and shameless struggle for existence which constitutes the essence of the imperialist ideal? The only difference is that in the case of Bolshevism the conqueror is a class instead of a "nation..."

> A crisis of patriotism arises when some nations begin fighting for a "better place under the sun" at the expense of other nations

The breakup of states and nations into antagonistic classes, in all the countries enveloped in revolutionary flames today is an immediate outcome of materialism now reining supreme in public life. What I mean is not materialism as a *teaching*, but materialism as preoccupation with *material well-being*. Indeed, certain classes and individuals are poles apart *economically*. The haves and the have-nots, masters and workers, landowners and land tillers constitute a single nation only for so long as they are interconnected by certain *spiritual bonds* which are above opposite economic interests, by *common sacred national values* for the sake of which the powers-that-be and private individuals are to sacrifice their benefits.

Where are these sacred values common to all? Don't we live in an epoch when all sacred values, all spiritual bonds between people are crumbling? Haven't those who dream of a "socialist" or a "bourgeois" motherland lost the very idea of motherland? For a real grassroots patriot, motherland is the land of his forebears who kept it whole by titanic efforts and at the cost of enormous sacrifices, the land made sacred by the great sufferings and epic heroism of the past generations, drenched with their blood and, therefore, animated with great holy love. We love this motherland like we do our mother or our father, we love it simply and disinterestedly and have no thought of deriving any *benefit* from it. This is a throbbing sense of solidarity with our loved ones who are no longer with us; to love one's motherland means to be *ardently devoted* to it irrespective of whether it gives us joy or agony.

Alas, there is too little love in modern nationalism – hence its failure to resist internationalist trends. What is called "patriotism" or "nationalism" today is not always a sound and disinterested attitude... Quite a few patriots love their motherland because it is good business to do so...

Needless to prove, pre-revolutionary Russia had more than its share of such businesslike commercial patriots. Patriotism was a source of benefits for the ruling nation: privileges, economic benefits, career opportunities; it was used as a means of chashing in at aliens' expense by buying up Polish estates cheap and accepting bribes from Jews. The very social instincts and appetites which later found their fulfilment in Bolshevism often took on the shape of Jewish pogroms.

Generally speaking, the Bolshevik notion of "socialist motherland" is a variety of low-grade patriotism which identifies "motherland" with expediency. "Socialist motherland" is a state which gives factories to workers, land to peasants, and the rest of the wealthy classes' property to the "poor." This is "motherland" for those whom it lavishes gifts upon. Accordingly, classes change places in that "socialist motherland" – the bourgeoisie, not proletarians, are regarded as "people without a motherland" there. In general, crisis of patriotism has similar causes in our country and in Germany... Where people think only in terms of personal gain, man to man is a wolf in the literal sense of this expression. If the good of a class takes precedence over the good of the nation, then why should one sacrifice his personal gain for the sake of his class? In what ways is class egoism superior to personal egoism? Why should a pack of wolves be given preference over a lone wolf? Rampant practical materialism is gradually eroding society which is in danger of total disintegration as a result.

Now we see why the fighting line has turned inwards. The tooth-and-nail fight for life has revealed the belligerent nations' lighter and darker sides. On the one hand, the war brought forth feats of self-sacrifice, love and real heroism, performed by the best; on the other, it awakened the beast in man, invoked and unbridled the satanic forces of evil which, in peacetime, had been held back by fear of the authorities. And evil overpowered good... The social revolution now in progress here and in the neighbouring countries is a steady extension of the world war into all the spheres of public life. International politics which led to the war was based on the principles of Hottentot morality: when I steal cows, it's good; when my cows get stolen, it's evil. Is it any wonder, therefore, that this kind of morality has rebounded upon the states which used it?

Whatever benefits the proletariat is good; and whatever harms the proletariat is evil. Such is the quint-essence of Bolshevism. Proceeding from it, the Bolsheviks apply to their home policy what, until recently, have been war slogans. The "good" of the proletariat, as the Bolsheviks see it, calls for a ruthless war of extermination against the bourgeoisie. In Moscow, Soviet power has declared a total war on it; a Bolshevik appeal I happened to read last winter

warned that for as long as at least one land-owner, capitalist or officer remained alive, "socialist motherland was in danger..." For all the hypocritical pacifism of Bolshevism, war constitutes its very essence, its soul. It has no programme besides a war on the propertied classes, and no mode of action besides armed violence.

What is the most salient feature of Bolshevism in the North? The matter is that it has turned the North into a solid battlefield, with a ruthless civil war being waged in every village and in every family. In the countryside, non-stop fighting is on between the working peasants, referred to as *kulaks,* runken riff-raff styled "the poor..."

Such are the blessings Bolshevism has in store not only for Russia, but for the whole world as well; because it is an aggressive movement by its very nature, which aims at conquering the world. A new world war is a vital need for it. Indeed, the kind of the communist system the Bolsheviks are enforcing can exist either everywhere, or nowhere. While it is confined to Russia, it is sheer utopia... A world conflagration, a new global war is its only salvation. It will either perish, or do to the world what it has done to Russia: set a brother against a brother, and the father against his son...

Bolshevism is an epidemic, of course, but like any epidemic it has to run its course... The prospects of a paradise on earth Bolshevism is holding up to the popular masses are nothing but a pie in the sky, a mirage which, on inspection, turns out to be a hell because it is a kingdom of universal mutual hate with internecine strife going on and on without end with millions of envious eyes watching anyone who tries to raise his welfare standard a little... This deprives one of the incentive to work and earn more...

A society the very spiritual foundations of which have been undermined is untenable. Any society benefits from sacrifices made by individuals and, in its critical moments, is saved by individuals' disinterested heroic actions... The Bolshevik state depends for its existence not on the courage of individuals, but partly on the inertia of the disorganized masses, partly on their animal fear for their lives... This makes the Bolshevik state doomed; any fear is defeated by another, still greater fear, i.e. by a greater danger, in the end; therefore, no system of government can live by terror alone; anyone who takes up the sword will die by the sword.

Even if Bolshevism spreads to all nations across the world, its final collapse is only a question of time. Even if it is not defeated by an external force, it is bound to be eroded from within by the destructive action of the civil war which constitutes its nature; inevitable as its end is, it will not defuse, once and for all, the grave crisis we are now going through.

The revival of Russia takes more than mechanical removal of the destructive Bolshevik rule; it is necessary to restore all the spiritual bonds which secured national unity, to put the fragments of our broken-up nation back into a living whole again. This national resurrection calls for a radical change in public mood, for a return from materialism to the spiritual values the nation has been deprived of...

Prepared for publication by N. Omelchenko

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